

UNIVERSAL
LIBRARY

OU_160537

UNIVERSAL
LIBRARY

OSMANIA UNIVERSITY LIBRARY

Call No. 330/J54c Accession No. 6573

Author Jennings

Title Coming Economic Crisis

This book should be returned on or before the date
last marked below.

The Coming Economic Crisis

The Coming Economic Crisis :: :: By H. J. Jennings



LONDON: HUTCHINSON & CO.
PATERNOSTER ROW :: :: 1918

NOTE

A few passages in this volume, with such alterations as were necessary, have been taken from articles contributed by me to the *Quarterly Review*, *Fortnightly Review* and *Nineteenth Century and After*. I have to thank the Editors and Proprietors of those periodicals for their courteous permission to reproduce.

THE AUTHOR

March, 1918.

The Coming Economic Crisis

I

“EVERY schoolboy”—to use Macaulay’s favourite phrase—is familiar with the passage in “Childe Harold’s Pilgrimage” in which Byron describes the voluptuous revelry at Brussels on the eve of Waterloo, and contrasts therewith the wild confusion and “mounting in hot haste” that followed on “the cannon’s opening roar.” It possibly will not, however, occur to “every schoolboy” that some modern poet might paint an equally vivid picture contrasting the happy-go-lucky mood of Great Britain in the fourth year of the world-War with the economic possibilities that threaten with their sombre shadows to darken the lives of millions when the War is over. For, in sooth, the gaiety, sometimes bordering on frivolity, of the British people, not in the big towns only but throughout the whole country, is a theme that in some of its more selfish phases invites the satire of a Juvenal, if not the lamentations of a Jeremiah.

One has reluctantly to admit that this is not a new

experience. Throughout the War there has been the same cocksure complacency, the same careless "all's well" chatter. Comparatively few people would seem to have grasped either the magnitude of our financial task or the tremendous gravity of the economic issues. Three years ago Mr. Lloyd George said that no visitor to our shores would realize that on the stricken fields of the Continent, and along the broads and narrows of the seas which encircle our island, was being determined, not merely the destiny of the British Empire, but the destiny of the human race for generations to come. We were, he added, "conducting a war as if there was no war." If his caustic rebuke does not apply in identical terms to-day, it applies, nevertheless, in other terms quite as positive and scathing. We are fighting the grim spectre of Famine as if it were nothing worse than a scarecrow. We are looking out upon a food horizon cloudy and ominous as if it were all bright sunshine and blue sky. Looming ahead are the portentous clouds of a superfluity and consequent disruption of labour and scarcity of employment, which unless dispersed by energetic preparation may have calamitous consequences; yet there seems to be little or no anxiety about these dark possibilities. Although it would be a straining of figurative speech to quote by way of simile the hackneyed saying that "Nero fiddled while Rome was burning," we, nevertheless, cannot shut our eyes to the inopportune light-heartedness and careless extravagance which flourish in hardy self-confidence, notwithstanding the gathering omens of evil times to come. An enormous National Debt, which is still growing and likely to go on growing, does not deter

the well-to-do from much unnecessary personal expenditure, or those traders who cater for women's dress and various forms of luxury from spending hundreds of thousands a year in alluring advertisements of their (mostly dispensable) wares. "Dress, drink and be merry," seems to be the motto of the day, carried out with an almost roystering spirit, in spite of a rationed food supply and the restrictions which, with or without reason, have been put on the consumption of generous liquors. The certainty of very heavy taxation for years to come—how heavy no one can yet foresee—interposes no check to the tripping processionists in the primrose path of self-indulgence. Nor does the menace of universal distress in Europe, aggravated for us by the exceptional disabilities associated with insularity, seem seriously to trouble the general public. Only a few experts in, or connected with, the shipping trade adequately realize to what the shortage of tonnage is tending; the rest of us are, at the best, only made a little uneasy by learning that the building of new mercantile vessels is not keeping pace with the losses occasioned by the War, and that, after the War, the demand for shipping for the homeward conveyance of troops, and for supplying the stricken countries with provisions and raw materials, will be far greater than the supply. Money can still be found in abundance for every gratification of the appetite, and for every craving of æsthetic taste. There is in the land a hectic prosperity which is the product of fortune-making War contracts, scandalous profiteering, and unusually high wages in munition centres. Without prophesying that economic chaos is looming in the

future, or going so far as to suggest that the faint rumblings occasionally heard will develop into the roar of a world-heaving cataclysm, the thoughtful few cannot but feel that a time of terrible stress may be in store for us islanders, and that our present heedless attitude towards such a possibility is correctly epitomized in the flippant philosophy "Sufficient unto the day is the evil thereof." Cheerfulness, it may be granted, is better than despondency, and optimism is, in the long run, a no more dangerous form of folly than pessimism; but it is both possible and desirable to combine prudence with cheerfulness and precaution with hope; in other words, to make proper provision for the future while showing a brave front to the present. But this is *not* what we are doing in any adequate measure. Most of us appear to be as unconcerned about after-War dangers of finance, food shortage and unemployment—to say nothing of the larger questions of trade competition and the dominating subject of exports—as were the inhabitants of Herculaneum and Pompeii before torrents of fiery lava and showers of red-hot cinders swept over them with wholesale death and devastation.

Victory in arms must be taken for granted; anything else is unthinkable. The struggle may be prolonged and its fortunes will assuredly oscillate, but neither of the risks, nor of the ultimate issue of the War itself, need we be afraid, if we be but true to ourselves. It is when peace comes that the flood-gates of uncertainty will be opened, and the turmoil of the seething waters become threatening. If the prevailing complacent belief that "all will come right in the

end " had been reached after sighting and forming a just view of the black clouds gathering on the economic horizon, there would be little to be said beyond " to be forewarned is to be forearmed." But it is hardly so. Britons, who have overcome so many adverse conditions in the past, and have so often snatched success from seeming failure, are too apt to rely on their genius (if that be the right word) for doggedly muddling through. It has served them many times before, and they feel so sure of it serving them again that they almost count it a virtue to find themselves in a tight corner, tied up inextricably with patience-mocking knots. So it might, and probably would, be if we were up against nothing more formidable than financial embarrassment and post-war commercial competition. But there are some enemies invincible even by the genius of muddling through. A world shortage of foodstuffs, caused primarily by scarcity of agricultural labour and accentuated by scarcity of ships, is one of those calamities from which neither good luck nor good judgment could entirely save us, and it is a calamity which, in the opinion of competent authorities, we may have to endure—every nation clamouring for food, and not nearly enough to go round even when doled out in parsimonious rations. That is a contingency which if it really were to befall us would upset many plans, disturb many calculations, and arrest many promising endeavours. The least of the evils would be the provocation of civil dissension with some of its dark possibilities.

To realize the gravity of the outlook, it is necessary to keep prominently in view three facts: (1) When

the War opened we had only about sufficient large ships to meet our needs, and half of them were absorbed at once for war purposes. (2) We have since lost 2,500,000 tons, after allowing for new construction. (3) The demands of our Allies upon us for shipping are heavy and are bound to increase; the French harvest last summer, for instance, was 38 per cent. less than in 1913; in other words, France, like Italy, needs food imports as well as coal and other things which can only be obtained in ships. In an impressive article in the *Daily Telegraph* in December last, Mr. Archibald Hurd, who is anything but an alarmist, made this very grave statement: "Our carrying capacity is still shrinking from week to week, in spite of all the devoted work of the patrols, owing to the comparative failure of our shipbuilding efforts. The shipyards and engine-yards are still woefully short of labour and material—after two years of the enemy's attack on our shipping and ten months of absolute piracy. That situation exposes the gravity of the position. Week by week, the number of vessels available for bringing us food and other things is decreasing, and hence the ratio of the loss of tonnage is increasing. In all, 923 ships have been destroyed, in many cases with valuable cargoes, since the beginning of March last, and yet we have not at this late date fully organized our unparalleled shipbuilding resources."

Not many days afterwards, Mr. Lloyd George, in a speech to farmers, said: "This is the critical hour for the country. *It is a grave hour for the country, and the only thing that can save us* is something that will save every ship for war, for the equipment of war,

for the men of war to hit at the enemy. . . . The struggle has now become largely a question of tonnage. Nothing else can beat us, and *nothing else can win for us.*" In brief, not only are ships wanted to defeat our enemies, but they will be equally wanted to prevent peace degenerating into an economic disaster.

The views of the British Labour movement, as sanctioned at the National Conference in the Central Hall, Westminster, at the end of December, show that in the opinion of labour itself, this is no fancy picture—no piling up of imaginary troubles. "The British Labour movement insists that in view of the *probable world-wide shortage after the War of exportable foodstuffs and raw materials, and of merchant shipping*, it is imperative, in order to prevent the most serious hardships, and even possible famine, in one country or another, that systematic arrangements should be made on an international basis for the allocation and conveyance of the available exportable surpluses of these commodities to the different countries in proportion, not to their purchasing power, but to their several pressing needs, etc." Here we have an important recognition of the fact that danger exists, and a frank declaration that only by means of organized effort on scientific lines can that danger be got rid of.

But apart from this particular danger, the outlook is sufficiently serious. If it does not warrant despondency, it justifies anxiety. The huge piling up of debt without the expectation of any substantial relief from punitive indemnities ; the necessity for more and yet more burdensome taxes, alike on luxuries and necessities—both on incomes and expenditure—the de-

mobilization difficulties and the disturbing apprehension that they may bring about a serious amount of unemployment ; the urgency of trade expansion, and the possibility that production may be crippled at a critical time by a labour upheaval ; mistrust of our out-of-date methods in education, fiscal policy, and commercial organization ; and the fear that the interference of bureaucratic departments with measures of promise, however favourably launched, may make confusion worse confounded—these are lions in the path, savage enough in all conscience to make an exceptional call upon the most dauntless courage and the most resolute effort. Most of them can be overcome if the effort is put forth before it is too late. Whether we can avert the disaster of food conditions bordering on actual famine depends partly upon the duration of the War, but chiefly upon the spirit and energy shown in our shipbuilding yards. The more ships we build, and the faster we build them, the greater will be our chance of preventing at least the most serious developments. Shipbuilding on the great scale requires labour—more than that, it requires *contented* labour—more again, it requires it *at once*. Is there enough labour, apart from military requirements, now available, and are the relations between Capital and Labour sufficiently cordial to justify the expectation of harmonious co-operation and a maximum output ? “ Ay, there’s the rub.” All said and done, it comes pretty much to this : that national unity, both administrative and executive, will be just as essential for mastering the after-War troubles as it is for first crushing the enemy. Unity—the unity of self-denial, co-operative zeal, and con-

scientific devotion to the interests of the State even when they conflict with the interests of the individual, is the key to the solution of the greatest problem with which the nation has ever had to deal.

II

THE force of this conclusion will become more apparent when particular consideration has been given to the conditions and influences, so far as they are definable and concrete, that will have to be reckoned with. It is necessary, therefore, at the risk of telling a twice-told tale, to indicate in outline the nature and scope of these conditions and influences. The most significant of them, because the most self-evident and readily grasped, is that of our colossal war expenditure. Although finance is not, at any rate so far, the most serious factor in the tendencies which make for economic crisis, it is one that has already shown its teeth with a certain grim relentlessness not altogether favourable to uncomplaining endurance. The importance of this question of war expenditure and the ways of meeting it cannot be over-rated. We are already confronted with liabilities such as no country, however prosperous, has ever had to face, and there is no telling how much more onerous these liabilities may become if the struggle is considerably prolonged, and the wasteful methods of the spending departments are not more severely checked. Enormous issues are trembling in the balance ; half the world's solvency is virtually at stake, and at such a juncture the prominent part which the national finance of the United Kingdom

plays in international economics makes an examination of her balance-sheet not only interesting, but instructive.

When we speak of national finance, we do not mean merely, or even principally, the smooth working of the machinery by which the transactions of business are carried on, the relations of the banks to trade, the operations of the discount houses, the changes in the Bank rate, the activities of the Stock Exchange, the rise and fall of securities, and the other familiar movements associated with money and the foreign exchanges. It means much more than these. National Finance, in its larger sense, stands for national wealth, and the circumstances that may encourage or hinder its growth. It is periodically focussed, so to speak, in the Budgets, and in a greater or less degree it affects everyone who either pays direct taxes or contributes to the revenue by consuming dutiable articles. In brief, it controls our economic conditions and circuitously determines the cost of our living. No one can afford to regard it with indifference, for not a home in the British Empire is outside the range of its far-flung influence. There still linger traces of the fallacy that finance is an esoteric mystery which only the initiated can hope to understand, that its intricacies are "caviare to the general," and that its terminology is in an alien and unknown tongue. But there is no mystery about taxes, nor are they difficult to understand when one has to pay them. An extra duty on beer, income, tea, or tobacco brings national finance home to the majority, be they political economists or not, and touches their pockets with an illuminating directness.

The War has shattered our old financial standards like a house of cards. Just before it burst upon us, at the beginning of August, 1914, with all the staggering shock of suddenness (so far, at least, as our complacently optimistic Government was concerned), we were going along comfortably enough with a National Debt of some £645,000,000, involving for interest and sinking fund a fixed allocation of £24,500,000 a year, and with an adverse balance of trade of about £134,000,000, which was more than off-set by interest and dividends on our foreign investments. Our total expenditure for 1913-14, in spite of expensive social legislation, was only £197,493,000. People grumbled even in those comparatively halcyon days, and thought the world was using them very badly because the tax on the lower range of taxable incomes was as much as 9d. in the £. All these pre-War standards look insignificant now. The House of Commons Select Committee on National Expenditure has furnished some amazing figures to go on with. Every day of the struggle adds some £7,000,000 to our expenditure. Up to September 30th, 1917, the additional gross expenditure *over the normal peace outlay* closely approximated to £5,000,000,000. Deducting loans to Allies and the Dominions, aggregating £1,321,000,000, and the expenditure met from revenue, there was added to the dead-weight National Debt approximately £3,000,000,000. Owing to the fact that the rate of expenditure is now much greater than it was in the earlier stages of the War, the accretion of the Debt will tend to be more rapid in future. It is estimated on the basis of the present daily rate of expenditure that each six months of war will now

necessitate a gross addition to the Debt of about £1,000,000,000, or a net addition of about £750,000,000 if advances to the Allies and Dominions are deducted from the gross debt. By the end of July, 1918, therefore, the *new* National Debt due to the War will probably amount to the stupendous figure of £5,000,000,000. If the average interest be taken at 5 per cent., and an allowance of 1 per cent. be made for Sinking Fund, the addition to the annual debt charge compared with the pre-war charge will be about £300,000,000. If the War lasts longer than four years, we shall have to add (after deducting payments due from the Allies and Dominions) £45,000,000 every six months for new interest charges.

Mr. McKenna's estimate is of a somewhat later date, but it comes to much the same thing. He thus pictures the situation on March 31st, 1918: Our National Debt will stand at about £6,000,000,000;* of this sum £1,550,000,000 may be entered as recoverable, but the interest on much of it will be dubious. Assuming, therefore, that we only receive in interest sufficient to meet the sinking fund charges on £6,000,000,000, we shall still have to raise by taxes the interest on the full sum; and at an average of $4\frac{3}{4}$ per cent. the interest on £6,000,000,000 will be £285,000,000. This is the sum to be raised annually by the British taxpayer. Any later expenditure will make the position still more serious, and the fraction of interest that is recoverable from other countries will not appreciably lessen its gravity.

* * Mr. Bonar Law's speech on March 6th practically confirmed this estimate,

III

“ IF the most enlightened man had been told in 1792 that in 1815 the interest on eight hundred million pounds would be duly paid to the day at the Bank, he would have been as hard of belief as if he had been told that the Government would be in possession of the lamp of Aladdin or the purse of Fortunatus.” This characteristic passage occurs in Macaulay’s account of the origin and growth of the National Debt. How much harder of belief would “ the most enlightened man ” have been if he had been told that in 1918 the interest on nearly six thousand millions would be “ duly paid to the day at the Bank.” Not only is this great debt hanging over us, but the adverse balance of our foreign trade for 1917 was £470,395,175, and most of our dollar securities have had to be resold to the United States, or handed over as collateral, in order to prevent acute disturbances of the rate of exchange. And whereas the revenue for 1913-14 was £198,243,000, that for 1917-18 is estimated at £638,600,000 (and will certainly be much more), the difference being almost entirely due to increased taxation.

For the present, we may limit our view to the position at the end of 1917, when the net debt was in the neighbourhood of £4,000,000,000, and the interest and sinking fund liability (not allowing for interest on the moneys re-lent to our Allies) was about £240,000,000 a year. The capital sum is calculated on the assump-

tion that our debtors will all fulfil their obligations. It has been stated that Russia owes us £675,000,000, and there is naturally grave uneasiness about the prospect of repayment. Besides the loans and the revenue required for meeting our obligations, we are raising some of the expenditure by means of taxes, and it is disagreeably evident that we have not yet come to the end of our compulsory sacrifices in this respect. Mr. Bonar Law was justifiably jubilant in the House of Commons at the time of the 1917 Budget because something like a quarter of our total war expenditure had been provided for out of revenue. For 1916-17, the expenditure was £2,198,113,000 and the revenue £573,428,000; for 1917-18 the estimates are £2,290,000,000 and £638,600,000 respectively; and for the whole period of the War down to March 31st, 1917, the expenditure was £4,318,000,000, and the revenue contribution £1,137,000,000, or fully 26 per cent. This question of the proportion of revenue, particularly of tax revenue, is important, because it governs in effect the ratio of taxation to long-term borrowing.

The principle laid down by McCulloch, the well-known economist, for determining such proportion, cannot be bettered: "The policy of raising the supplies for a war by means of a loan or by an equivalent increase in taxation, cannot be decided on general principles, but must always be determined by reference to the state of the country at the time. Wherever there is no risk of prejudicing industry by increasing taxation, that plan should be preferred, and although a loan should be required to obviate too rapid an increase of taxation, the inconveniences attending the

accumulation of debt are so very great that every practicable effort should be made to raise the revenue to the highest limit to which it can safely be carried, and to make it defray a part at least, if not the whole, of the extraordinary expenditure."

One of the terms upon which England's great wars have been waged during the last two hundred and fifty years is that posterity has had to bear a large share of their cost. As armies and armaments grew in size, and the cost of war was proportionately increased, this recourse to long-dated loans, and in some instances to permanent loans which virtually amounted to the sale of interminable annuities, was an inevitable way of getting the money. Nor was there anything unreasonable in passing on a part of the burden to those who would presently enjoy the security and participate in the benefits for which the expenditure was incurred. If it had not been for the loans by the aid of which our wars with France were carried on a hundred years ago, we should not have found ourselves on the eve of the present conflict permanently liable for the interest on close upon six hundred and fifty millions; nor, on the other hand, should we, in all probability, have been enjoying the freedom, prosperity and vast area of Empire which have helped to make us the greatest Power in the world's history in combined wealth, population, authority and colonizing influence.

War, therefore, has always been the chief instrument in the creation of National Debt; indeed, it may almost be said that if there had been no wars there would have been no national debts. The war with France just referred to, which lasted with only

a brief intermission for a period of 22 years, cost us approximately £831,000,000, of which £440,000,000 was raised by loans. The War of the Spanish Succession, which lasted eleven years, cost £50,000,000, of which £38,000,000 was added to the National Debt ; the Seven Years' War cost £82,000,000, of which £64,000,000 was added to the National Debt ; the American War of Independence, which also lasted for seven years, added £121,000,000 ; the Crimean War, which lasted for two years, added £34,000,000 ; and the South African War, which lasted two years and a half, cost £211,000,000, of which £160,000,000 was added to the Debt.

During the prosperous intervals of peace there have been occasional reductions of debt on a slow and relatively nibbling scale, but before enough time has elapsed to bring about any appreciable diminution of the amount annually set apart for the service of the debt, the costly tide of conflict has flowed again and has quickly engulfed our pitiful economies. It took forty years of peace to pay off only £75,000,000 of the debt added a hundred years ago ; the £34,000,000 added in the Crimean War was not wiped out in less than twelve years of peace ; and the addition caused by the South African War had been but slightly diminished when the present colossal struggle was forced upon us. It seems to be the fate of humanity to experience these set-backs. The labours of Sisyphus were not more futile than have been peacetime efforts to lessen our National Debt. In the most favourable circumstances it will be forty or fifty years before the debts now being contracted are finally discharged.

Nevertheless, the fact remains—and it is a comforting one in times like these—that in nearly every instance the economic waste and financial loss caused by our great wars have been followed, sooner or later, by a steady industrial recovery, an increase of national wealth, and an improvement in the standard of personal welfare. And in no equitable review of history can we escape from the conclusion that several of these conflicts have proved to be, in the larger patriotic sense, wise and prudent investments. An eminent Victorian economist forcibly voiced this view in the following passage: “The integrity of our dominions, the protection of our rights and liberties, and our triumphs by sea and land are the real equivalents for the public debt, and of all the blood and treasure we have spent in warlike enterprise; and they are quite as ample and conduce as much to our prosperity as a nation as if they had been realized in an increase of wealth and population. No sacrifices can be too great that are required to preserve national security and independence, and a loan expended on armies and fleets employed for such a purpose is quite as well and profitably employed as if it had been laid out on agriculture or in promoting manufactures and trade.” David Hume held a much narrower and less imaginative theory of National Debt, but it has never found acceptance in this country when any question has arisen of resisting the policy of ambitious rivals. One can picture the sort of reception that would now be given to any doctrinaire of the ultra-pacifist type who ventured to adopt Hume’s unpatriotic sentiment: “Better for us to have been conquered by

Prussia or Austria than to be saddled with the interest of £140,000,000."

Loans must, therefore, still be the backbone of War finance, but with this important difference: they are no longer permanent, or quasi-permanent, but are issued in the form of debt repayable at a specified time. It is recognized that a limit must be set to the contributory assistance of future generations, and that it is not just to saddle posterity with a liability without limit in regard to time. But the next generation, if not the next after that, will have to find its quota of interest and—since War Loans are no longer interminable—of sinking fund as well. This distribution of indebtedness permits of the employment of huge sums that could not possibly be raised by immediate taxation; and except for such an arrangement, war could only be carried on nowadays for a very short period. Without the aid of loans extended over a number of years, no country could command the resources with which to wage war on the big scale. Credit is one of the chief weapons in modern armouries, for, wisely used, it means military and naval efficiency. War on an immediate cash basis is impossible; we must borrow or fail. And to borrow for a long period on the security of the State's guarantee is to bind our children and grandchildren to find revenue for payment of the interest.

This shifting of part of the war burden to the shoulders of our descendants involves the moral obligation to do our own part thoroughly and to put the greatest endurable strain upon our spirit of self-sacrifice. The least posterity can expect of us is that we should "play the game." We are giving the

flower of our manhood to ensure the liberties of the future, but it must be fully recognized that great though this sacrifice is, it is not enough—that we must make monetary sacrifices as well. In other words, the amount raised by taxation must bear a fair proportion to the amount raised by loans. It must be enough, as an irreducible minimum over and above the normal expenditure of peace-time to provide for the service of the National Debt. We are also under a moral obligation to make our loans as short in duration as is practicable. The shorter the life of a loan, the larger must be the periodical instalments of amortization, and it might be a temptation, therefore, to lighten immediate taxation by prolonging them, if not indefinitely, yet to some more or less remote date. This temptation, if it has ever presented itself during the present war, has been wisely resisted. Not one of the loans so far raised stretches into an indefinite future. The significance of this forbearance lies in the fact that the taxation to provide for their service is heavier than it would have been in the case of unduly extended loans.

IV

THE security of the nation's creditors should always be a paramount consideration. It is one of the principles of sound national finance that revenue (apart from non-recurring revenue) sufficient to provide for debt service must be forthcoming during the currency of the loans. To incur debts without finding the means wherewith to discharge them is

to invite a dishonourable bankruptcy after the manner of the Ibero-American Republics a few years back and of some Latin countries nearer home, when default followed flotation with the regularity of clock-work. No such imputation can be levelled against the British Government, the outstanding feature of whose War finance has been the raising of a tax revenue which—at any rate so far—more than secures the due payment of interest and principal as they fall due. This is the fundamental principle, the corner-stone of the structure. Mr. Bonar Law has quoted with complete approval Mr. McKenna's dictum on the subject: that at the end of each financial year we should be able to show a surplus of revenue, not including the duties which will come to an end when the War closes, which will provide us with the amount necessary to carry on the service of the country, including a reasonable provision for the paying-off of the debt which has been incurred. War taxation must be adequate to cover War liabilities, so that good faith may be kept with the lenders of money both now and in the future. The amount of tax revenue cannot be honestly reduced during the currency of the loans if reduction involves any interference with the security of investors. Let us put this to the test. On the basis of the 1917-18 estimates, there will be a total revenue of £638,600,000, and omitting the non-recurring Excess Profits duty, the amount will be £438,600,000. If, on Mr. McKenna's figures, we allow for a debt of £6,000,000,000, with an average interest and sinking fund of $4\frac{3}{4}$ per cent., we shall have left over and above this service £153,600,000 towards the normal expenditure of the State and the cost of

pensions. Mr. Bonar Law has put the position rather differently. Taking the 1916-17 revenue of £573,428,000, he deducts from it Excess Profits duty and interest from the Dominions and Allies, leaving roughly £416,428,000. He puts the debt charge at £153,700,000 and pensions at £30,000,000, and the pre-war expenditure at £173,000,000, making together £356,700,000, and leaving a margin in hand of £59,728,000. This is probably a too favourable view, for Mr. Law deducts only £157,000,000 for both Excess Profits duty and interest from our Dominions and Allies, whereas the Excess Profits duty alone amounted, in the year named, to £180,000,000 of the revenue. And after the War, it may be well to bear in mind, the amount required for pensions will be nearer £50,000,000 than £30,000,000.

One is almost ashamed to mention that a little time back a rumour seems to have got about that there was a possibility of the British Government at some time or other repudiating its liabilities. It is hardly conceivable that any person of ordinary intelligence could, even after the flagrantly dishonest action of the Bolsheviks, have put the least bit of faith in such an absurd prediction. The Chancellor of the Exchequer, however, thought it was a serious enough matter to call for an official refutation, and, in the course of a vigorous letter to a correspondent, said: "I should like to state, and to state as strongly as I can, that in my opinion no British Government, present or future, will seek to break faith with those who have placed their financial resources at the disposal of the State in this crisis of its history. . . . The repudiation of the State's liabilities would, in my

judgment, be as disastrous as it would be dishonourable." Russia, unless she revokes the debt annulment decreed by the *de facto* Government, will find out to her cost that repudiation is a suicidal act. The commercial future of Russia depends upon the development of her natural resources, and this in its turn depends upon the assistance of foreign capital. It is not impossible that Germany will by and by find herself in Queer Street ; and that neither the prospect of disaster nor the dread of dishonour will enable her Government, without default in some shape or other, to get out of the financial slough into which they have stumbled. Their debt is as big as ours, but so far they have made but very inadequate provision for paying the interest (except by taking it out of the new loans as raised), let alone for amortization. The British Government, on the other hand, have done so, and that is what makes their position sound and, so far, secure. What might happen if the six thousand million debt grew into a ten thousand million one, there is no pressing need to speculate upon. The probability, nevertheless, of further heavy borrowing, involving still higher taxation, forces upon us the enormous importance of doing everything that is humanly possible to reconstruct our commercial fabric and build up a great volume of profitable trade. That is the chief practical end to which this preliminary survey is tending.

Every fresh borrowing, whether by long-term loans or floating liabilities, adds to the magnitude of the task. No Chancellor, since the War began, has encouraged any dream of the impossible by attempting to do without loans. So far as one's recollection

goes, Mr. Gladstone was the only Finance Minister who ever adopted the theory, and he was powerless to put it into practice. At the beginning of the Crimean War in 1854 he was sanguine enough to hope that he would be able to meet its expenses entirely out of new taxation without adding anything to the National Debt. He held that the expense of war, being "the moral check" placed by the Almighty on "ambition and lust of conquest," should fall on the direct tax-payer out of immediate revenue, and not by way of the facile system of raising loans at the charge of posterity, nor by adding to indirect taxation; and he started by doubling the income-tax. How vain was his hope is shown by the fact that the two years of the struggle added £34,000,000 to the Debt. If a comparatively localized war could not be carried to a more or less indefinite conclusion without this substantial increase, still less can the present tremendous conflict be carried on, and ended in the only way consistent with Britain's safety and the future of civilization, without a heavy addition to the debt and to our annual liability for interest.

Fortunately, there has so far been but little issuing at a discount. The $3\frac{1}{2}$ per cent Loan was issued at 95, and the 5 per cent. Loan was also offered at 95, so that the Government has to pay interest on some sixty-six millions more than it has actually received (without counting the cost of the conversions of Consols, etc.), and the new National War Bonds, although issued at par, are repayable at a premium according to their duration. Paying interest on non-existent capital can only be resorted to as the lesser of two evils. "In consequence of the prevalence of

the practice," says McCulloch in his "Dictionary of Commerce," "the principal of the debt now existing (1835) amounts to nearly two-fifths more than the sum actually advanced." The plan of undertaking liability for a greater nominal debt than the amount lent to the State was not adopted on a large scale before 1780; but it made such rapid headway that in the following year the excess of capital liability amounted to 75 per cent. of the loans raised, the State issuing stock to the amount of £18,000,000 at 3 per cent., and £3,000,000 at 4 per cent., or £21,000,000 in all, in return for £12,000,000 in cash. That is to say, for every £100 paid, the investor got £150 of stock at 3 per cent. and £25 of stock at 4 per cent. From 1793 to 1797, the amount of capital funded was more than £67,000,000 against an actual sum received of £44,000,000; and during the whole French War debt to the amount of £275,000,000 was created in excess of the amount received, the average issue being £169 of debt for £100 subscribed.

Pitt has been blamed for the policy of offering for subscription loans of the low denomination of 3 per cent., but, as Lord Rosebery has pointed out, "he had no choice." Loans offered at 4 per cent., and even at 5 per cent., met with very little support from the financial houses and groups who provided most of the money for the War. It was capital increment and not yield that they were after. The pith of the case against Pitt's finance is: (a) That he was obliged to borrow on terms which did not provide for repayment, and which virtually made the enormous National Debt of that day a perpetual encumbrance; and (b) That a large proportion of this permanent debt

was never represented by money in the coffers of the State. The longer the War lasted, the smaller was the chance of abandoning this prodigal finance. During the nine years of war that followed Pitt's death, such fantastic tricks were played as might have made the high heavens of orthodox finance weep. It was not only that loans continued to be raised at a heavy discount, but bonuses and lotteries were adopted as regular devices for enticing money into the Exchequer. The State was in the position of a desperate spendthrift, who could only keep going by borrowing on unconscionable terms. The bill-brokers and stock-jobbers of Change Alley were the principal agents for providing the money, and unless they could get nominal stock for double the amount of their subscription, they buttoned up their pockets and put on what Sheridan calls "a damn'd disinheriting countenance."

Our methods are not so desperate to-day, but it must be remembered that the longer the War lasts the more difficult it will be to raise money, and the more alluring will have to be the terms. There is a limit to the investing ability of the nation, and every increase of taxation is a hindrance to the thrift which finds its channel of usefulness in the purchase of War Bonds. Further borrowing will only magnify this disability. Essential though it is to make due provision for the service of new loans, we must not forget that it has to be done at the cost of a certain weakening of our power in the other direction.

There is nothing at all surprising in the apprehensions which the magnitude of the National Debt has caused in timid quarters, and, for the matter of that, in

quarters that are not timid as well. Every serious accumulation of war debt in the past has been looked upon as the certain presage of national ruin. In the first edition of "The Wealth of Nations," published in 1776, Adam Smith remarked that the progress of the enormous debt oppressed, and in the long run would probably ruin, all the great countries of Europe. But at that time the British National Debt was only about £130,000,000, and the cost of the great war with France and the consequent growth of indebtedness were yet to come. Adam Smith was, of course, judging by the national wealth and capacity of the time, and he no more foresaw their expansion than he foresaw the possibility of a National Debt of £6,000,000,000. His voice was the common one. No one seemed willing to give England credit for potential recovery. Notwithstanding the restoration of prosperity and the profitable developments of trade which followed in the wake of peace and falsified many of the predictions of the economic Cassandras, it was invariably prophesied that every new growth of debt would be the last straw of Britain's endurance. The country was warned again and again that it was on the road to ruin. But the persistently predicted seldom happens, and the *dies iræ*, as if to mock the soothsayers, was always coming, but never came. The prophets of evil were as far out in their reckoning as those Solomon Eagles who have from time to time foretold the end of the world on a specified date, and have found everything going on as usual, not only on the appointed day, but on every day after.

That there were trade set-backs after exhausting wars was but natural ; the consoling fact about them

is that they were only temporary. After comparatively short periods of hesitation and uncertainty, the spirit of Progress again spread her wings for flight. Population increased, trade multiplied, cities grew, fortunes were accumulated and prudently invested, the land was more largely cultivated, the marts became too small for the requirements of improving business, and the harbours were overcrowded with shipping. The heralds of disaster were put to confusion by a prosperity that knocked their glum forebodings into the proverbial cocked hat. After the Great War—to take only one illustration—the people found it no more difficult to pay the interest on £800,000,000 of debt than their ancestors had found it to pay interest on £80,000,000, and this was because they were so much better off. It is not the amount of the burden that is the real test of a nation's capacity, but the proportion which it bears to the country's gross income. That is why the financial situation, so far as Great Britain is concerned, may, in its narrower debtor and creditor aspect, turn out after the War—if we make haste to learn our lesson of reconstruction now—to be more cheering than the prophets of evil predict. The following comparison provides some food for reassuring reflections :

	After the French Wars, 1815-16.	After the Crimean War, 1859-60.	In 1914.	In 1917.
Population	20,000,000	29,000,000	47,000,000	48,000,000
National Income...	£ 300,000,000	£ 700,000,000	£ 2,400,000,000	£ 3,000,000,000
Taxation	62,000,000	66,000,000	164,000,000	600,000,000
Excess of Income over Taxation..	238,000,000	634,000,000	2,236,000,000	2,400,000,000

It has been authoritatively stated that on the basis of its income of £2,400,000,000 in 1914, Great Britain could support a National Debt of £8,000,000,000 with no greater burden on the people than that which was borne a hundred years ago. The estimated wealth of the Kingdom in 1914 was £17,000,000,000 (if the whole of the British Empire is considered, the capital wealth roughly amounted to £26,000,000,000 and its yearly income to £4,000,000,000), and a debt of £6,000,000,000 represents about 35 per cent. of that wealth, whereas in 1816 the National Debt amounted to more than 36 per cent. of the estimated wealth at that time.

V

WE have to make up our minds—and Mr. Bonar Law has given us the “straight tip”—that in the matter of taxes we are not—possibly by a very long way—out of the wood. And there is this also to be said—the general conditions after the War may, for a time at least, lessen the yield of some of the most productive existing taxes, and, while indirectly reducing the pressure in some quarters, make it very much heavier in others. It may be useful, therefore, to epitomize what has been done in the way of new and increased taxation since the War began. In November, 1914, Mr. Lloyd George introduced his supplementary Budget, which doubled the income-tax (previously at 9d. for the lowest grade of taxable income), increased the duty on tea by 3d. a pound, and that on beer (previously 7s. 9d. a barrel) by 15s. 3d. at first, and

later by 17s. 3d. a barrel of standard gravity. In the following year Mr. McKenna added 40 per cent. to the doubled income-tax, and the man with an unexempted but small income had to pay a fraction over 2s. 1d. instead of the pre-war rate of 9d. in the £. Mr. McKenna also raised the Super-Tax, and at the same time lowered the limits of exemption and abatement, bringing in wage-earners at and above 50s. a week. The number of weekly wage-earners liable to pay tax after deduction of the statutory abatements and allowances is 630,000, but the net produce of their payments is only £3,000,000. This result is far from commensurate with the dissatisfaction caused by the inclusion of such a small income as £130, at a time when the cost of bare living is almost unendurable. The promised concessional abatement on account of a wife, in addition to that previously allowed for children, will do something to remedy the injustice ; but, even so, the limit of taxable income is too low for the present conditions. In the common case of a widow with grown-up daughters having nothing to live upon but an unearned income of, say, £135 derived from investments, its operation is harsh and unfair, and the regulation which makes the tax collectable at the source at the maximum rate of 5s. in the £ is a cruel scandal, very little lessened by the provision that a claim for the recovery of the overpaid part can be made to the Commissioners every six months. This, however, is interrupting the story of taxation. In the same Budget (1915) an extra 1d. a lb. duty was put on sugar, and the duties on tea, tobacco, coffee, chicory and dried fruits were raised 30 per cent. The duty on motor-spirit was

raised 3d. a gallon, and patent medicine duties were doubled. Two important new features were introduced: Excess Profits were taxed (this was aimed, in the first instance, at companies and firms that were making fortunes out of the War) to the extent of 50 per cent. over and above the ordinary income-tax, and an import duty of $33\frac{1}{3}$ per cent. of the values was imposed on motor-cars and cycles, cinema films, watches and clocks, and musical instruments. Postal, telegraph and telephone charges were also increased, and although these, properly speaking, are not tax revenue, they can hardly be distinguished from it in their effect on the pocket. In the Budget of April, 1916, the income-tax was further increased and graduated up to 5s. in the £ on incomes exceeding £2,500. The Excess Profits duty was, at the same time, raised to 60 per cent., the sugar duty by the equivalent of $\frac{1}{2}$ d. a lb., that on cocoa from $1\frac{1}{2}$ d. to 6d. a lb., and that on coffee and chicory from 3d. to 6d. a lb. The licence for motor-cars was doubled, and in the case of high-power cars trebled, and that on motor-cycles proportionately raised. A feature of this Budget was the Chancellor's tentative and somewhat halting venture into the field of new taxation. Entertainments, matches and table-waters became excisable, but their total yield in a full fiscal year was not expected to be more than £9,000,000. In one sense, of course, the Excess Profits duty also was a new tax; but inasmuch as it was an extension of income-tax—very startling in character, no doubt—it cannot properly be classed as new. Nor were the import duties on luxuries new save in the sense that they introduced for the first time since 1846 taxation

that was not primarily intended for revenue purposes, but was deliberately devised to relieve shipping and to keep out unnecessary foreign productions. The latter object has been realized in the reduced importation of motor-cars, pianos and clocks, but watch-cases, in spite of the duty, have had a remarkable bound-up, both in numbers and value. In the 1917-18 Budget, additions were made to the Entertainments tax and to the tobacco duty, and the Excess Profits duty was again raised—this time to 80 per cent. So far, therefore, the expansion of the revenue has been brought about largely through the instrumentality of well-known old stagers. Income-tax, sugar, tobacco and tea appear and reappear. Whenever money is wanted, they are made to bob up like so many jacks-in-the-box. An excuse for this well-spurred activity is found in the fact that the collection of pre-existing duties needed no new machinery and could be promptly put in motion. Reduction of Customs and Inland Revenue staffs has made it almost impracticable to resort to many new duties on account of the difficulty of their collection. It must, however, be said that the few and hesitating new duties on matches, amusements and table-waters, though excellent in a small way, are no great testimony to the financial ingenuity of the officials of the Exchequer.

It is tempting and not altogether unprofitable to indulge in comparisons, and to recall some of the expedients adopted in the wars with revolutionary France and afterwards with Napoleon. During the two years and eight months to March 31st, 1917, we raised by war taxation nearly twice as much as our forefathers did by all sorts of novel imposts and

desperate expedients in the whole twenty-two years of their struggle. But the amount of taxation a century ago does not furnish a proper criterion of its incidence, or of the strain it put upon the means of the population. That population was less than half of the present, and the country was in every way relatively poorer. When the War was at last finished, the legacy of taxation pressed heavily in all directions. The peace of 1815 found us with a National Debt of £860,000,000, or about £43 per head, involving an annual charge on revenue of £32,000,000. Tax revenue had risen from £17,000,000 before the War to £74,500,000. There were taxes on land, incomes, windows, carriages, men-servants, saddle and carriage horses, racehorses, dogs, hair powder, armorial bearings, insurances against fire and sea risks, property sold by auction, stage coaches and other forms of locomotion; and duties on salt, sugar, raisins, currants, pepper, vinegar, beer, wine, spirits, tea, coffee, malt, hops, liquor licences, coal, new building materials, timber, cotton, wool, raw and thrown silks, hemp, indigo, pearls, potatoes, bar-iron, skins and furs, leather, soap, bricks and tiles, glass, candles, paper, printed goods, newspapers, advertisements, gold and silver plate, starch, stone bottles, wire, medicines, cards and dice, and scores of other things. Many of the articles had had their duties increased again and again. Spirits had been dealt with on four different occasions, tea on five—the duty rising from 10 per cent. of the value to 50 per cent.—and tobacco, bricks, newspaper advertisements, glass, hats, salt, sugar and stamps had been subject to repeated increases. Sydney Smith, in his witty, whimsical way, described the

taxpayer's unhappy position: "Taxes upon every article which enters the mouth or covers the back or is placed under the foot. Taxes upon everything which it is pleasant to see, hear, feel, smell or taste. Taxes upon warmth, light and locomotion. Taxes upon everything on earth or under the earth, on everything that comes from abroad or is grown at home. Taxes on the raw material, taxes on every fresh value that is added to it by the industry of man. Taxes on the sauce which pampers man's appetite, and the drug which restores him to health; on the ermine which decorates the judge and the rope which hangs the criminal; on the poor man's salt and the rich man's spice; on the brass nails of the coffin and the trappings of the bride; at bed or board, couchant or rampant, we must pay. The schoolboy whips his taxed horse; the beardless youth manages his taxed horse, with a taxed bridle, on a taxed road; and the dying physician, pouring his medicine, which has paid 10 per cent., into a spoon that has paid 15 per cent., lies himself back upon his chintz bed, which has paid 22 per cent., and expires in the arms of an apothecary who has paid a licence of a hundred pounds for the privilege of putting him to death. His whole property is then immediately taxed from 2 to 10 per cent. Besides the probate, large fees are demanded for burying him in the chancel. His virtues are added down to posterity on taxed marble, and he will soon be gathered to his fathers to be taxed no more." Even that caustic commentary does not greatly relieve us. The tribulations of 1815 are too remote to excite sympathy, especially as we ourselves have to face continually increasing burdens, and cannot yet

see where they are going to end. One can imagine any Chancellor being perplexed by the responsibility of having to create new revenue when, owing to the limitations of our fiscal policy, nearly every available commodity has already been taxed. Former Chancellors, with a wider area of selection, have been equally troubled. Towards the latter part of the eighteenth century, Grenville, who was then responsible for the national finances, made a piteous complaint in Parliament that he did not know in what direction to turn for new revenue to meet growing expenditure. He lamented that we had arrived at the end of all possible taxation at home, and plaintively asked where he was going to find more money. Pitt, who was sitting near him, murmured the first line of a then popular song: "Gentle shepherd, tell me where?" and the House, overhearing it, rocked with laughter. Grenville afterwards went by the name of "The Gentle Shepherd," and the same epithet may possibly serve in these later times to label other Chancellors who find themselves in a financial quandary.

For the present, however, there is no occasion for anxiety. All the money that has been wanted has been raised without difficulty, and, except among a few classes, without hardship. It is instructive to note the amount of revenue raised in each of the financial years affected by the War:

	£	
1914-15	226,694,080	(actual)
1915-16	336,766,824	"
1916-17	573,427,582	"
1917-18	638,600,000	(estimated)

Taking the normal peace revenue at £200,000,000,

the total increase indicated by these figures is nearly £1,000,000,000 up to March, 1918. Most of this is produced by war taxation, as the following details, after allowing for decreases in some other departments, sufficiently show :

	1913-14. £	1914-15. £	1915-16. £	1916-17. £	1917-18 (estimated.) £
Income and Super-Tax	47,249,000	69,399,110	128,320,000	205,033,000	224,000,000
Excess Profits Duty.....	—	—	140,000	139,920,000	200,000,000
Customs and Excise	75,040,000	80,975,000	120,816,000	126,941,000	105,700,000

Mr. McKenna said, in April, 1916, that we were then raising £300,000,000 more by taxation (including the changes he proposed) than in the pre-War Budget ; but as his estimate of revenue for 1916-17 fell short by £71,152,582 of the actual receipts, about £67,000,000 of which was tax revenue, it follows that the real increase up to March, 1917, was nearer £367,000,000 a year. To this must be added, for the year 1917-18, the estimated yield of the additional taxation authorized by the adoption of the Budget, and the expected expansion of revenue, making the cost of War burdens alone £422,172,000 a year to the taxpayer. The estimated total receipts from taxes this year is £570,000,000, of which direct taxation provides £466,000,000. In 1913-14 indirect taxation represented 48 per cent. of the total receipts from taxes, and direct taxation furnished 52 per cent. In the current year the proportion is, direct, 82 per cent. ; indirect, 18 per cent.

One of the most interesting points in connection with the revenue is the effect which the Parliamentary, and afterwards the Liquor Control Board's, restrictions and other influences adverse to consumption might have been expected to have upon it. Not so many years ago the beer and whisky duties formed such an important part of the revenue, that it was cynically said we had "drunk ourselves into prosperity." It is not easy to determine what the effect on the revenue would have been if the Control of Liquor Board's restrictions had not been largely offset by increased taxation. Mr. Lloyd George's extra duty on beer of standard gravity, as eventually levied, making with the previous duty 25s. a barrel, has had a remarkable result, especially if allowances are made (1) for reduced consumption due to the increased retail price, (2) for the limitation in many populous districts of the hours during which drink might be sold in licensed premises and clubs, (3) for the reduction in strength imposed upon brewers, and (4) for the more recent decree that less beer may be brewed because of the threatened scarcity of food cereals and the need for conserving the barley for bread instead of converting it into malt. A large decline has also taken place in the sale of whisky and gin on account of the spirit being required by the Government in the manufacture of high explosives. Two big sources of revenue have thus been interfered with, and although the full effect of the action is not apparent in the figures so far available, it is not a little remarkable to find that the Government's net receipts on account of drink were much higher in 1916 than they were in 1913—£65,107,700 against £41,458,799.

VI

HEAVY though taxation is to-day, it is, we must repeat, certain to become heavier ; and after the War something will have to be found to replace the Excess Profits Duty, unless Parliament should see fit to re-enact that impost, and thus handicap manufacturers just when every penny of surplus will be wanted for trade expansion. Whatever may happen to this duty, whether it disappears automatically or is given a new lease of life because no substitute can be found for it, income-tax on a war basis promises to be our lot until the general wealth of the country shows such a recovery as will permit of the rate being substantially lowered. It is not impossible that this may be interpreted as at the time of the Greek Kalends. Ever since the tax was begun, the country has been told that it was soon going to end ; but though suspended for a time, it has never really ended. Now its roots are deeper and its vitality is more vigorous than at any previous time, a fact which would give no cause for dissatisfaction if the incidence of the tax were fairer, and it did not visit so oppressively the very limited incomes. At the end of the eighteenth century, when it was first resorted to, things were generally in a bad way. We were at war, the country was suffering from a big wave of depression, the Funds fell to 48, loans could only be placed with the greatest difficulty, Ireland was verging on open rebellion, a naval mutiny broke out at the Nore, and there was a

widespread fear of invasion. Pitt introduced his Triple Assessment plan, but it fell short of expectations, and the Income Tax was then adopted for the first time. It realized only £6,000,000, much less than was anticipated. Pitt described it as a war-tax, and a war-tax it remained until 1816. Since 1842, when Peel reintroduced it as a peace-tax, it has been renewed from time to time in that guise, except for two periods during the Crimean and South African Wars, when it was temporarily increased to meet war expenditure. At the beginning of 1914-15 it was a peace-tax, and apparently a permanent peace-tax. It was a constant topic of criticism that the rate at which it was then levied did not leave a margin for emergencies; but this view did not take account of a Chancellor's possibilities of hardihood, for in the following November the tax was doubled "at one fell swoop." Things have, indeed, changed since Mr. Gladstone unsuccessfully went to the country with a promise of abolishing the income-tax if he were returned with a majority. No leader of any political party would dream of its abolition to-day, even if there were no war to be paid for.

America has set a striking example of democratic legislation in the war taxation of wealth. It is *par excellence* the country of millionaires, and as millionaires count for something even if their millions are only in dollars, there is plenty of scope for the tax-collector's activity. America's millionaires—let us say, persons whose incomes exceed £100,000—have taken without a qualm, or any audible murmur, the proposed surtax of 45 per cent. on incomes above £200,000, and of 41½ per cent. on incomes

between £100,000 and £200,000. This surtax is in addition to the ordinary income-tax, and together therewith will exact from 55 to 60 per cent. upon incomes of more than £100,000. This is a very notable example. Our own super-tax does not soar to such heroic heights. The "virtual rate" (the phrase is Mr. McKenna's and includes the ordinary income-tax as well as the super-tax) on the possessor of £100,000 a year is 6s. 10d. in the £, that is, £34,029 against the £55,000 his American counterpart will have to pay. The Englishman, therefore, after doing his prescribed part for the State, will be nearly £21,000 a year better off than the American, and the difference would be greater still in the case of the possessors of £200,000 incomes, the net amounts left after taxation being £132,000 and £80,000 respectively. In 1914-15, there were 326 persons in the United Kingdom with incomes exceeding £50,000 and between 80 and 90 with incomes exceeding £100,000. Incomes over £3,000 were enjoyed by about 30,000 persons, representing £234,000,000 out of a total of more than £1,300,000,000. The shrinkage of usable income which the rich have so far had to undergo, whether in the United Kingdom or the United States, is nothing like so severe in proportion as that which the English possessors of small incomes have to suffer. When the limits of exemption and abatement were lowered in 1915, there was no adequately corresponding increase at the other end of the scale, for the increased super-tax only operated above a certain amount. The working man earning 50s. a week is, with food at nearly famine prices, brought under the harrow, but the multi-millionaire, after paying his 6s. 10d. in the £, finds himself with

ample funds for all the reasonable needs of even a rich man's existence.

Mr. Sidney Webb would go to the other extreme. He would tax all incomes of over £100,000 a year at the rate of 16s. in the £. In order that enemy goods may come in duty free, and that the consumer may not have to pay too much for them, he would raise the ordinary income-tax on substantial incomes from 5s. to 10s. and impose a super-tax on top of that. The manufacturing firm earning £100,000 a year in America would pay £55,000 to the Government; an English firm of the same financial rank would pay £80,000. That is to say, the Excess Profits rate of 80 per cent. now adopted for the rest of the War would become applicable to all incomes of £100,000 and more, and also become a quasi-permanent institution. Even in the case of a private individual with an income of £100,000, to levy a tax of 16s. in the £ would be more befitting the audacity of Paul Clifford or Dick Turpin than the sober sense of a legislative body. The principle of graduation and super-tax is sound, but its application must be reasonable. To take four-fifths of a rich man's income, not as an exceptional act to deal with a great war emergency, but as a normal proceeding, would be unreasonable.

VII

It has been desirable to put these financial facts and figures in the foreground, because finance is the substratum of all economic considerations. Perhaps it would be more exact to describe it as a texture com-

posed of many diversified threads. It is inextricably mixed up with other economic questions. It covers a wide area of discussion. It is entangled with much that is controversial. We can only get its true measure by understanding its relationship to other subjects which, in a primary sense, are not financial at all. National finance, for example, is closely associated with commercial prosperity, the balance of trade, food production, tariffs, trade unions, the developments of applied science, the transport question, and the much-discussed proposals for the nationalization of railways and mines, and possibly of the liquor trade and the land. There is hardly a phase of life in which finance is not an active influence, and the aggregate of all these various interests is the practical expression of what we call National Finance. Our power to finance the War depends upon our ability to pay taxes ; our ability to pay taxes depends upon our trade prosperity ; our trade prosperity depends upon a score of conditions—a well-fed population of workers, remunerative employment for all, complete harmony between Capital and Labour, the maximum output of exportable goods, the prevention of dumping, larger facilities of transport, and so on and so on. These conditions again may be subdivided into others ; for instance, a well-fed population of workers not only presupposes a good all-round standard of wages, but also enough ships to import foodstuffs, or, in the alternative, enough food produced at home. Then the question of agriculture thus introduced involves the system of land tenure, fiscal policy, the competition of the towns for labour, and the encouragement of practical chemistry. If

after the War there should be an insufficiency of food and widely prevalent distress, it would take a much longer time for the country's trade to get into its stride again than if we could leap back at once to pre-war supplies and prices. Yet the possibilities of national recovery and of an expansion of wealth depend upon the trade position, and particularly upon the position of our external trade. It is really upon this, more than upon any other single factor, that our economic future hinges. There is a good deal in the Board of Trade figures that gives rise to uneasiness, but that feeling is mitigated when we remember the altogether abnormal conditions. The official figures of our foreign and colonial trade for the past three years have to be studied subject to the important qualification that they relate more particularly to money values, which do not necessarily correspond to differences in quantity and number. Prices of nearly all kinds of commodities and materials have been going up during the past three years and a half, and the higher values have not, as a general rule, and especially in the case of our imports, been associated with proportionate volume. In 1915, for instance, we paid £57,313,000 for 88,681,000 cwts of wheat, whereas in 1914 we paid only £44,700,000 for 103,900,000 cwts. In 1917 we imported 5,478,309 fewer centals of raw cotton than in 1916, at an increased cost of £25,860,957; 153,175 tons less of flax, hemp and jute, at an increased cost of £3,847,169; 10,000 tons less of copra (largely used in the manufacture of margarine), at an increased cost of £270,013; and 21,854,362 fewer gallons of motor spirit, at an increased cost of £1,078,488.

The figures for 1917 are not, however, conclusive for comparison, because for the second half of the year they included merchandise imported and exported in public as well as in private ownership, except exports for the use of His Majesty's forces on active service. Previously to July the figures included, in the case of imports, all articles of food, but did not include other goods which at the time of importation were the property of our own Government, or of the Governments of the Allies; and in the case of exports the figures included goods bought in the United Kingdom for the Governments of the Allies, but did not include goods taken from British Government Stores and Depôts, or goods bought by our own Government and shipped on Government vessels. It seems probable that the jump in the imports of fuel oil from 22,556,004 gallons in 1916 to 440,582,168 gallons last year—a jump involving an increase of £9,054,323 in money—is not unconnected with the new form of the returns.

When it comes to payment, it is the money values that count, and this is what gives to the trade balances of recent times their special significance.

	Imports.	Exports and Re-exports.	Adverse Balance.
	£	£	£
1913	768,734,739	634,820,326	133,914,413
1914	696,635,113	526,195,523	170,439,590
1915	851,893,350	483,930,629	367,962,721
1916	948,506,492	603,845,885	344,660,607
1917	1,065,256,407	594,861,232	470,395,175

In the five years—1913, 1914, 1915, 1916 and 1917—the adverse balances of our external trade amounted

in the aggregate to £1,487,372,506, excluding the Government's undisclosed imports. This means that since the War began and down to December 31st last we have had to send out of the country in gold or the equivalent of gold, by far the greater part of that big total. So far as 1916 and 1917 are concerned, the position is even worse than is shown by the above figures. What are called invisible exports, in the nature of interest and dividends on foreign investments, used to be an important factor in favourably adjusting the adverse balances ; but of late a great deal of our accumulated wealth abroad has had to be realized for the purpose of supporting the trading value of the English pound in neutral countries. While the re-sale in the United States, by the British Government, of dollar securities deposited by British holders, improved the rate of exchange and to some extent dispensed with the necessity for gold shipments, it sealed up at the same time a formerly continuous source of income. This and cognate measures were, no doubt unavoidable before the United States came into the War, and relieved the financial strain with liberal credits, but they have, nevertheless, caused a shrinkage in the invisible exports. Before the War we used to invest about £200,000,000 yearly in foreign securities ; now we are very properly forbidden to invest at all in this way ; on the contrary, we have been fast using up the accumulated investments of past years. The adverse balance of trade for 1917 is, therefore, relatively to pre-War times, more adverse even than it looks. It has necessitated, among other expedients, the opening of Government credits in the Argentine, Uruguay and Japan, with the object of

relieving us of the consequences to the rate of exchange of the great volume of imported foodstuffs in the case of the two former and of munitions in that of the latter.

There is, however, a satisfactory side to the picture. Although the adverse balance of trade was greater in 1917 than in 1916—amounting to an average of over £1,500,000 per working day—the falling off was entirely due to the re-exports; the exports of the *produce of the United Kingdom* were £19,029,284 better than those for 1916, and £140,440,543 better than those for 1915. We exported less flour and meat, and rather more coal and coke, wood and timber, and oil seeds, oil fats, etc., but the bulk of the improvement was, as it ought to be, in manufactured goods, which were £28,198,689 better than in 1916 and £128,669,655 better than in 1915.

It is obvious that the adverse balance, taken by itself, whether exceptional or only normal, can only be successfully dealt with by reducing imports and increasing exports. This counsel of perfection is somewhat complicated by the cardinal principle that we cannot export unless we import; that is to say, the unrestricted importation of raw materials used in our staple manufactures is a vital necessity if we are to maintain, let alone improve, the volume of our exports. We may at once put aside any idea of reducing imports of raw materials that cannot be obtained in sufficient quantities at home. The case with regard to articles of food is different. It is generally felt, and the feeling is now being tardily acted upon, that every effort must be made to diminish food imports by increasing home production. The

more we can grow the less we shall want from abroad, and the less we shall be at the mercy either of submarines or of the vicissitudes of foreign harvests.

The cost of our food imports for 1917 amounted to £451,409,014, compared with £411,802,316 in 1916 and £372,324,932 in 1915. The classification is here shown :

	1915.	1916.	1917.
	£	£	£
Grain and flour	112,357,768	133,253,132	174,893,463
Meat (including } animals for food) }	86,839,086	94,050,999	102,472,453
Other food and drink	173,128,078	184,498,185	174,043,098

Roughly, our normal production of wheat at home has been up to last year only a fifth of the amount we consume ; thus, at the very time when it was desirable to keep money in the country, we were sending it away to pay for food, part of which at least could have been grown here. An addition of 3,000,000 to the acreage of arable farming has already been made, and a further addition will be made this year, Parliament having encouraged this enterprise by guaranteeing the minimum prices of wheat and oats for a period of five years. It has been calculated that if the average quantity of wheat and oats produced from 1909-10 to 1913-14 was sold at the minimum prices named in the Corn Production Act, instead of at pre-War average prices, the excess cost to the country would be £104,568,670. With more land under tillage the production ought to be greater, and the excess cost greater as well. This excess cost may be regarded in the nature of a bounty to the farmers who, but for the guarantee, could not afford to alter their farming methods by turning pasture

into arable, and to take the risk of having to put their produce on the market at a loss. It is, indeed, imperative, if the country is to have any real safeguard against scarcity either through enemy operations or foreign shortage. Even with the advantage of an increased acreage for cereals at home, there is still an urgent need for the economical consumption of bread, while eggs and poultry are at relatively prohibitive prices, and meat, butter and bacon are only to be had in very limited quantities. The most Herculean efforts of the Minister of Agriculture cannot possibly get enough new land under cultivation to make us at once independent of foreign supplies. Meanwhile, the submarines are still at work (in one week in December 3,000,000 lbs. of bacon and 4,000,000 lbs. of cheese were lost), and the world's shipping is increasingly unable to do what is asked of it. Now, where should we be—where would most of the European nations be—if peace were proclaimed tomorrow, and a great universal scramble for foreign food taxed the world's shipping just when a large proportion of it was also wanted for the homeward transshipment of armies? Bad and disturbing as are the conditions in war-time, they would perhaps be worse directly peace was signed, and it is this menacing circumstance that justifies us in speaking of the coming economic crisis. Mind, we do not say *débâcle*, for there is no need to expect a state of things beyond the reach of human remedies. One great blessing is that we know in time to prepare, at any rate partly, against the perils of surprise; that is if our statesmen and legislators are clear-sighted enough to see the danger-signal and resolute enough, and unanimous

enough, to put on the brakes. A partial famine—an inability of workers and children to get a sufficiency of proper nourishment—would have the dire consequences of silent workshops, arrested labour, idle machinery, ruined trade and national poverty.

We must build ships as fast as we can, and we must plough up every bit of waste or improperly-cultivated land, no matter what amenities attach to it, and grow cereals enough for the nation's needs. The total area of the United Kingdom is 77,000,000 acres, of which about 46,700,000 are under cultivation. A year or two ago 27,300,000 acres were permanent pasture and 19,400,000 were arable land, of which only 1,700,000 produced wheat, whereas a wheat area of 4,500,000 acres would enable us to produce one-half of our requirements instead of only a fifth. Wheat and oats, however, are not the only foods for which we are largely dependent on foreign or colonial production. The War found us in a state of complete dependence upon the enemy Powers for two-thirds of our sugar supplies—1,300,000 tons out of about 1,900,000 tons imported coming from Germany and Austria. After the War we must either resume imports of beet sugar from Europe, or the British Empire must develop its own production. Need there be any hesitation as to which course should be adopted, or as to what encouragement should be given to home growers by guaranteeing security of market? Sugar beet can be grown here, but this would probably involve a still further encroachment on pasture, and we must not forget that to the extent to which pasture is converted for growing cereals or beet, our stock-raising, cattle-grazing and dairying capacities are interfered

with. The point is a serious one, especially as we are spending at present over £100,000,000 a year on imported animal food in one form or another. But we have cane sugar possessions over the seas; they have flourished before, and they would be flourishing now if the purblind doctrinaires of Free Trade had not left them exposed to the competition of beet sugar. We have neglected and starved our own industries, nominally in the interest of the consumer, but really in the interest of foreign rivals. The British working man has had his cheap sugar, but he was dependent for it upon enemy countries, and he could not use it without benefiting enemy countries, while all the time his fellow-subjects in Demerara and the West Indies were being frozen out and the Coblenites' hands were raised in pious horror at the bare idea of a bounty-fed British industry.

VIII

WHAT other imports than foodstuffs can be lessened? We have already put raw materials out of court for this purpose. They are, on the whole, the backbone of our trade in manufactured exports. Imports of manufactured goods are in an entirely different category. We could do quite well without many of them, and those that we cannot do without we ought, with a few exceptions, to be able to make just as well ourselves. We import in ordinary times nearly £200,000,000 of manufactured goods yearly; for 1917 the amount was £218,484,514. In the second

War Budget, as has been mentioned in a previous paragraph, duties were imposed on a small number of these with the laudable object of restricting their import. The first blow was thus struck at an economic tradition which, though hoary enough, was no longer suited to the changed conditions. Imports of other merchandise have since been prohibited or greatly reduced under the Defence of the Realm Act, on account of the scarcity of tonnage and the urgency of restricting cargo space to indispensable imports. But notwithstanding these checks, there are still coming into our ports many quite superfluous articles of foreign manufacture for which we must pay either in meal or malt. The whole question of Tariffs will have to be brought into line with the new conditions, and no tariff revision is likely to command general support that does not give preferential treatment to the Dominions, and, perhaps, in a less degree to our Allies.

Before considering this larger subject, let us get at the framework of the case. There are two principles that may almost be regarded as axiomatic. Firstly, the prevention of dumping by the only possible expedient of imposing import duties is almost unanimously called for, not only in Great Britain and her Colonies, but also by the Allied States. Secondly, it is widely recognized that British manufacturers cannot be expected to risk their capital in producing goods hitherto obtainable chiefly from Germany or Austria, unless they are guaranteed by means of tariffs against unfair competition. In addition to these accepted principles there is a third of a less indisputable character, namely, that imports from

the Central Powers ought to be absolutely boycotted by the Allied countries, because by a series of devilish crimes of which most savages would be ashamed, they have put themselves outside the pale of commercial intercourse. It is furthermore urged by many that the Central Powers, having thrown down the challenge of exclusive dealing, have themselves provoked retaliation. These, if we include the possibility of some new tariffs being imposed strictly for revenue purposes, are the main problems of a situation that has to be faced and dealt with.

It will be seen that, in considering these various suggested methods, there are four different groups to be considered in their trade relations to the United Kingdom, namely :

1. The British Empire as a whole.
2. Our Allies.
3. Neutral countries.
4. The Enemy group.

The first and fourth of these present no difficulties to anyone who is prepared to strike a firm note and to pay no attention to maudlin nonsense about "generosity." Nor need there be any insurmountable difficulties in the second, so long as a unanimous agreement exists between the Allies respecting their future attitude towards neutral trade. Even if the case of the neutrals is not quite as simple, it loses much of its formidable appearance when one appreciates the fact that our policy and that of our Allies must be largely guided, so far as trade with neutrals is concerned, by our own necessities, and that these necessities preclude anything in the way of import duties on either raw materials or foodstuffs, except

where they may be necessary in order to permit of preferential treatment to our own Colonies.

It is obvious from the above outline that the general question of tariffs is undoubtedly a large one, and reasonably calls for a certain amount of deliberation. This, however, is no excuse for procrastination. There has been plenty of talk about it, and plenty of writing, but so far there has been no definite lead from the Government, probably because they have not yet made up their minds. Two members of the Cabinet have said publicly that the Government intend to do something—one of them in referring to the prevention of dumping after the War, and the other in treating of the subject of financial assistance to exporting manufacturers. Then, Mr. Runciman and Mr. Bonar Law have been sent as delegates to an International Conference in Paris for considering a general trade policy during and after the War. Certain important decisions were reached, and that is about as far as we have got. There have been numerous suggestions from outside sources, many of them put forward by influential public bodies, and an Advisory Committee of the Board of Trade has made recommendations which include the introduction of a limited tariff system, not for revenue purposes, but for the purpose of excluding unfair competition. Strangest development of all, the Manchester Chamber of Commerce has revolted against unqualified Free Trade, and elected a committee with a distinct leaning to Tariff Reform.

As the particular case of Germany governs more or less the policy to be adopted in others, it may be as well to consider it a little more at length. It has

already been said that there is practical unanimity as to the imperative duty of preventing after-the-War dumping. Many prominent Free Traders have admitted the necessity of imposing a tariff directed to this specific purpose. We know what we have to expect if the free imports of enemy countries are to be permitted after peace has been declared. It has been stated on very good authority that "Germany will embark on a campaign of dumping such as the world has never before known; profits will be sacrificed and wages will be cut to the minimum, so that the world may be flooded with cheap German goods." Dumping used to be defined as the exportation of manufactured goods below the selling price of the country of origin. Legislative effect was given to this interpretation in the Canadian Customs Act of 1907, wherein a special import duty was authorized "equal to the difference between the selling price of the article for export and the fair market value thereof for home consumption." In view of the intentions attributed to Germany, the definition has to be enlarged. The dumping that threatens us, and that would unquestionably injure us throughout the Empire, is the importation of goods at prices below those at which, with justice to the capital and labour employed, they could be produced by our own manufacturers. It would, if allowed, inflict industrial disaster upon a large section of our artisan population and drive thousands of them out of employment.

Dumping has been carried on to an enormous extent by Germany in the past, favoured by the economic advantages of low railway rates, low wages and industrial combinations. These factors, which have

enabled her to undersell us in our own markets, are now to be reinforced with still lower wages and deliberately sacrificed profits. In order to get her foot once more inside the door, her workmen will be compelled to work for scant wages, and her manufacturers will be content to wait for the future to bring them their reward. As long as we were in peaceful competition with Germany, it did not seem desirable to pull up by the roots an economic policy, notwithstanding which Great Britain's trade and prosperity have certainly gone ahead. But the War has thrown a searchlight on the chinks in our fiscal armour. It is true that the disadvantages of dumping are not confined to the importing country. Selling abroad at lower than the regular prices at home inflicts an economic injury upon the exporting State and an injustice upon its own consumers. As a general proposition, it is the duty as well as the interest of exporting Governments to prohibit dumping. But it is idle to talk of duties and responsibilities in the case of a country like Germany.

There is another thing we are mostly agreed upon : there shall be no more German control of British trade. Not only here, but in our Colonies, our industries have been honeycombed with German influence. These subtle and sinister manipulators dominated the zinc business of Australia, the tungsten output of Cornwall and India, monopolized the dye-products, gathered together most of the rare metals and earths, and in many leading industries either cornered the supplies or pulled the strings by which the trade was regulated. All this is at an end, never, unless we are arrant fools, to be permitted again.

Some alteration of the law will be needed to make it impossible for English companies to be registered under the control of German capitalists. There has been a great deal too much of John Bull's stupid good nature in the past. We have allowed Germans to set up in business here, to pick our brains, learn our methods, ascertain the names of our customers, and acquire controlling interests in British concerns. It almost looked before the War as if the United Kingdom were being run, so far as trade was concerned, by the wily Teuton. Well, the War has opened our eyes, and we must not go to sleep again in a hurry. No sort of peace would be tolerated which paved the way to a restoration of the old foolish trustfulness.

There is a fine example for us in the way in which Queen Elizabeth dealt with the impudent pretensions of the Hanseatic League. The Germans had the upper hand in London; they enjoyed a privilege in regard to the Customs; they controlled some of the most indispensable supplies; the Queen was dependent on them in the War with Spain for pitch, hemp, powder, and other requisites for her Navy; and they captured almost the whole of the trade. One day they went a bit too far with their grabbing policy, and, to use a slang phrase, put the Queen's back up. Result: Societies of English merchants were established, the privileges of the Hanseatic League were cancelled, tariffs were imposed on German goods, and Germans were banished from the realm. It is taking a sanguinary war to work out our redemption in the trade crisis of 350 years later, and the price we are having to pay for our previous easy-going ways ought

to ensure a reliable guarantee that the results will be every bit as effective as Queen Elizabeth's were aforetime.

IX

To those who assert that a policy such as indicated would be vindictive and unworthy of a great nation, the obvious reply is that self-preservation is not vindictiveness. It may, moreover, be taken as a fundamental assumption that there is no possibility, for a long time to come, of any reciprocal commercial arrangement with Germany. The simple truth is that she is not to be trusted. Nothing is "too slim" for her statesmen; nothing too tricky and unscrupulous for her trade combinations. Everyone knows, because experience has taught him, that to gain her ends Germany will resort to cunning and stratagem. If, by the use of such weapons, she is allowed to succeed, if only to the extent of dumping here, it means disaster for many of our manufacturers and unemployment for the workpeople. If she is permitted, by our own apathy or inefficiency, to recapture her lost trade in neutral countries, it means even more—it means the loss of our world-wide prestige and the gradual decay of our commerce. We must put justice to ourselves first and foremost. We must in any case deprive Germany of the opportunity of preparing for another war against us.

It was by means of her trade prosperity in the past that Germany was able to raise and appropriate the money necessary for the enormous War preparations

by which she hoped to smash her rivals one by one and acquire world dominion. Every penny that goes to Germany in the future in payment for her products might equally assist in building up again the fabric of megalomaniacal and insolent aggression. If, for instance, in order to bring down the price of sugar in the interests of consumers we allowed German and Austrian beet-sugar to come in on the same fiscal basis as sugar from our own possessions, we should be helping Germany to re-establish her military and naval menace. The excuse that we should be inflicting a deserved punishment is not, therefore, called for; we have quite enough justification for excluding her products in the use she has made of her trade profits in the past.

With regard to her manufactured goods the argument is even stronger. They must be taxed, so that they cannot compete unfairly with our own manufactures. On this point, it seems probable that the country, if appealed to, would give an emphatic approval. Effective *ad valorem* duties will alone meet the case, and it is doubtful if effectiveness could be obtained with anything less than 10 per cent. We can best keep back the flood of cheap German goods by making it fiscally unprofitable for them to get in. Mr. Henderson, M.P., has told us that British labour is opposed to anything in the nature of a trade boycott. It would be more satisfactory to be told what exactly British labour means by boycotting. If it means the exclusion, by means of a defensive tariff, of goods "made in Germany," it is difficult to believe that the average working man, whether he be a Free Trader or not, is really going to object to a policy that will

make his own industrial status much more secure. Our working classes have been brought up in the inherited belief that Free Trade is the best thing for them. That it has been favourable to their interests in the past there is no need to dispute ; but after the War we shall be living in a new world, and the old creeds will no longer apply. If a limited degree of Protection in the present day, based on self-defence, were really injurious to the working classes, how does it happen that a protective policy has been adopted in Australia, and in all cases by Labour Governments ? It is, however, only fair to add, as pointed out by Mr. J. H. Thomas, M.P., that although there is a system of Tariff Reform in that Dominion, it is also true that an eight-hours' day for workers is in operation ; that there is a legal minimum wage ; that there is statutory preference for trade unionists as against non-unionists ; that old age pensions of 10s. a week are given to men and women at 60 years of age ; and that every person over 16, if incapable of earning a livelihood, is entitled from that time to a State disablement grant. These counter-advantages must not be ignored, although they have nothing to do with the argument for an exceptional policy against Germany.

We do not wish to minimize the importance of the War Aims Memorandum put forth by the executive of the Labour party and adopted at the Westminster Conference, wherein it is urged that an economic war after peace would inevitably lead to reprisals, and that all attempts at " economic aggression," whether by protective tariffs, or capitalist trusts, or monopolies, result in the spoliation of the working classes

for the profit of the capitalists. Further, "the British workman," it is said, "sees in the alliance between the military Imperialists and fiscal Protectionists a serious danger to the prosperity of the masses of the people." There is no such alliance in prospect—at any rate, in any democratic country. Military Imperialists have no existence here, and fiscal Protectionists are quite as numerous in the non-capitalist as in the capitalist ranks. If the writer believed for a moment that the prevention of German imports by means of duties was going to be prejudicial to the prosperity of Labour, he would renounce the creed and stand in a white sheet for having ever held it. He believes just the opposite, and he is not inclined to cold-shoulder an experiment which would benefit the working man, for the childish reason that it might benefit his employer as well.

Another of the superficially plausible arguments advanced why we should not penalize the Prussianized Central Empires, is that, if we did so, it would throw them into the ready arms of neutral countries, whereby we should lose our position as the money market of the world. This is an altogether exaggerated view, if, indeed, it has any justification at all. It is not the view taken by some of our most eminent bankers, and it may be dismissed as one of the bogies invented by a certain class of politician to divert attention from the main issue. There is more to be said for the contention that it is only by means of exports that the Central Empires can pay indemnities in any way commensurate with their liability, and that the stricter the check we put upon their exports the less prospect will there be of securing any indemnities at all. After

all, it is no special business of ours how Germany and Austria are to find monetary compensation, however inadequate, for their facinorous deeds. It is a super-humanitarian doctrine that compassion for the criminal should soften our hearts to the extent of letting him off his punishment. What this new-fangled sentimentalism would amount to is that we should refrain from interfering with the foreign trade of the Empires in order that by the aid of our forbearance they might be enabled to pay some sort of indemnity. In other words, we should be paying the indemnity ourselves. Is it really likely that we are going to commit the supreme folly of doing anything of the kind? They must take the consequences they have invited; they must lose part of their trade; and they must find the money or security for compensation to the invaded countries as well. They would not spare us if they won; why should we spare them?

Then, it is argued in other quarters, that if a policy of trade warfare be decided upon, it will act as an inducement to Germany to prolong the present struggle to the bitter end. The converse of this proposition would appear to be that we can command Germany's pacific mood by generously promising never to run counter to her interests in the future. The one is just as fantastic as the other. No amount of sentimental consideration for Germany's feelings will shorten the War by half an hour. She will give up when she can go on no longer, not before. She will continue her preparations for an unscrupulous trade antagonism, whether we turn our cheek to the smiter or threaten her with the clenched fist. There is but one way in which to defeat her machinations and

paralyse her unfair rivalry, and that is to make her pay the penalty of her over-reaching folly. From the pusillanimous advocacy of hesitating half measures it is pleasant to turn to the firm and confident ring of Mr. Hughes's declaration : " It would be incredible folly if the victory secured on the field should leave Germany in possession of economic opportunities. The War must be carried out in the field of industry with determination equal to that shown by the Allies on the field of battle. I am not in favour of trade with Germany during the War, after the War, or at any other time."

A more lenient attitude might be advocated if there were any real prospect of the much-talked-of League of Nations being quickly established, and on a firm and effective basis. The possibility of this devoutly-to-be-wished consummation is, however, highly doubtful at the best ; such an ideal League can only be realized when Prussian militarism has received its quietus, either from within or without. Germany's pledges would otherwise be worth less than the paper they were written on. An economic understanding that was to be anything but a delusion and a snare would need to be founded on good faith, and good faith is the last thing to be looked for in the German rulers of to-day. There would always be reservations in the background to nullify promises, and *arrières-pensées* would everywhere be in ambush to spring out and make naught of the spoken word. Before we can come to President Wilson's " no economic barriers " we must have substantial guarantees against Pan-Germanism and all that it implies. A League of Nations would be a glorious achievement *if* every

nation joined it with complete sincerity of purpose ; but failing this vital condition it might easily become the veriest pitfall. Great Britain does not want, even if she has the power, to put punitive obstacles in the way of Germany's legitimate economic future. The world is open to her as it is to us, but until she can give acceptable evidence of *bona fides* we are not called upon to join hands with her in a scheme of trade reciprocity that would only be employed, so far as she was concerned, in furthering with her accustomed chicanery her own selfish ends.

Germany will start, as Mr. Asquith has pointed out, with very obvious and considerable advantages. "In the invaded territories of Belgium and France she has destroyed works and factories, and sent off large quantities of plant and raw material—not to mention people—to the industrial centres of Germany and Austria." The Germans are counting on these factors, and on their merchant fleet (not, happily, so large as it was before the breaches with the United States and Brazil), to impede the industrial and commercial recovery of the Allies, and have already organized their industries for a vigorous competition in neutral markets. According to a reputable news agency, German resources in finance, industry, workmen and shipowners are now busily employed in preparations for the re-opening of German trade and industry after the War. A great company has been formed at Hamburg for the purpose of restoring German oversea trade. According to the *Taegliche Rundschau* a similar company has been formed in Berlin, with a share capital of a million marks. The company has plans ready for the new great oversea undertakings,

such as harbours, railways and waterworks, which until now, as a whole, have been carried out by British companies.

What so far have *we* done? We have done something—on paper. At the Paris Conference in 1916, the Allies bound themselves by formal resolution not to grant the most-favoured-nation treatment to any of the enemy Powers, either in the treaty of peace itself, or in any other way, for a term of years after the War. This would virtually secure to the Allies freedom to make such commercial agreements among themselves or with neutral countries as they may think expedient, without being hampered by an obligation to extend to the enemy Powers any concession made as the result of such an arrangement. Even this is objected to by the Labour party, if its spokesmen have done justice to its views. This attitude of labour is hardly intelligible except on the assumption that the interests of international solidarity demand an altruism indistinguishable from lunacy. It might as well be said that British soldiers drawn from the ranks of labour should not fight with German soldiers drawn from the ranks of labour. German labour has no such generous prepossessions. We shall not find, after the War, that the policy of exclusive dealing is renounced by Germany one inch farther than suits her own selfish interests. If British labour is to flourish, British trade must flourish, and British trade would stand but a poor chance of flourishing if a mealy-mouthed consideration for enemy interests is to govern the policy employed, or if the Allies are going to welcome Germany and Austria to the group of most favoured nations.

By another resolution, the attempts already made by Germany to secure supplies of raw materials in neutral countries, and to replenish her own supplies immediately after the War, are to be met by an agreement between the Allies themselves to conserve for the Allied countries, before all others, their natural resources during the whole period of commercial, industrial, agricultural and maritime reconstruction, and to provide special facilities for the interchange of those resources. Apparently the Labour executive is in accord with this engagement. Since the Paris Conference, the United States have virtually become a party to it, and now that the Allies comprise three-fourths of the world's entire population, the policy foreshadowed at the Conference, and informally endorsed by the House of Commons, becomes much more formidable and effective. The pooling of material resources, the interchange of monetary and other facilities, the ending of peaceful penetration, the exclusion of enemy countries from most-favoured-nation privileges, and the creation of a solidarity of purpose and a uniformity of method amongst the Allies in the trade war that is certainly coming, will, it is believed, greatly lessen, even if they do not reduce to the vanishing point, the danger to our financial fabric of an incomplete or ineffective trade policy. After all, the main thing is that we have had our lesson, and it is to be hoped that the majority have profited by it. An energetic trade policy, thoroughly organized and financially backed, determined to fight for every foreign market and not to be beaten by any manœuvre of competition, ought in a few years, if the initial anxieties are happily got rid

of, to do big things for our exports, lessen thereby the adverse balance of trade, keep gold in the country, strengthen our financial system all round, and make the working classes prosperous.

It may be hereafter necessary, as part of a permanent policy, to put a duty on some other than enemy imports, either for raising revenue or for keeping out luxuries that would swell the balance of trade against us. There are three other groups to consider—the British Empire group, the Allied group, and the Neutral group. Clearly, we cannot act independently of our Colonies. Whatever is done, it must be a conjoint effort. It is not only Great Britain, but the British Empire as a whole, that must adopt an effective fiscal policy. There must be no breaches in the tariff wall. The first thing is to confer with our Canadian, Australian and South African kinsmen, and with the rulers of our Indian Empire and our West Indian possessions, in order to evolve a common trade policy for the whole British Empire. Australia has given a very vigorous lead, and it would, indeed, be a sorry sequel to the magnificent help which the self-governing Dominions have given in the field and to the War chest, if we did not meet their requirements in a spirit free from traditional prepossessions which are no longer capable of doing justice to our case. In forging a great chain of Imperial commercial unity there will not only have to be reciprocal concessions, but also a frank receptiveness to new-world views, and a hospitable readiness to regard race-brotherhood as something more precious than political prejudice. The fiscal arrangements of any Imperial Federation must inevitably involve Preference as a basis, and

so far as the chief Colonial Dominions are concerned, Preference can only be applied, in an effective sense, to natural produce, cultivated or otherwise. Preference with regard to wheat, wool, meat, hides, and other foods and raw materials, would mean that imports of the same kind from other than British Possessions would be subject to a small differential duty. Canada, Australia and South Africa cannot be expected to admit our manufactures free, if their own produce is not to be treated in the same way; and if Argentina, Italy, France, Portugal and other countries were also allowed to send their produce in duty-free, there would be no preference for the Colonies.

The binding together of this huge trade combination, animated by the same principles and regulated by the same terms, would necessarily be the introduction to a further consolidation of interests by means of commercial treaties giving reciprocal treatment to our Allies. It is not pretended that this is a simple task, or that it can be compassed with the same expedition as "jumping" a mining claim. It will involve conferences, discrimination, and a minute examination of details. But given the principle of a united front for mutual self-defence and protection, then the working out of a scheme should not be a difficult business.

Put in a succinct form, the proposals are as follows :

- (1) (a) An import duty on German and Austrian goods and produce, to be levied by all the Allied Powers, including our Colonies.
- (b) Alternatively, an effective duty that will keep out dumped goods.

- (2) The British Empire and the Allies, with any neutrals that elect to come in, to form a Customs Union, and to adopt a reciprocal trade policy, each conceding to the others the most-favoured-nation terms.
- (3) Great Britain and her Colonies to form an Imperial Trade Federation on the basis of preferential and reciprocal benefits.

This programme will not commend itself to extremists on either side, particularly to the old-fashioned type of Free Trader, if, indeed, there are many of his sort left. At any rate, it is a programme to be discussed and answered. Its purpose will be served if it leads to something definite—even if that be something less. What the country wants is a strong scheme of self-preservation, and it wants it as far as possible with unanimity. Peace is not yet in sight, but that is no reason why we should sit still and do nothing. It is not only a duty, but a life-and-death matter, to have our trenches fortified and manned ready for the threatened commercial struggle. To put off a decision to meet the evil by root-and-branch methods, on the ground that it forms part of a complex subject upon which there may be differences of opinion, is to play the German's game, and to provide him with facilities for reviving his sinister schemes. Inaction, in such a crisis, is reaction. Mr. Facing-both-Ways, whose half-recognition of the need for new methods is paralysed by his slavish devotion to worn-out formularies, and who lets "I dare not" wait upon "I would," is the man of whom we have to beware. It is he who pleads for a stationary watchfulness—a mobilization without armament. He is

dangerous because he appeals to the Briton's besetting weakness—slowness to move until he is in the very clutches of disaster. This question of trade policy must be decided promptly, and the majority must decide. Sooner or later the country will have to determine if we are to go ahead or to drop out of the race ; if we are to put our own interests first or to set them aside out of an affectionate regard for those of the poor German.

X

A FEW pages above the words "keep gold in the country" were used. This is important—how important only bankers, merchants and big manufacturers know. Intimately bound up with the balance of trade is the question of the gold reserve. It is an obvious truism to say that if gold has to be sent abroad to meet an adverse balance, it reduces the stock at the Bank of England ; and if this went on continuously month after month, and year after year, the position would become impossible. Any such danger has been removed, or at least postponed, by America's hearty co-operation in smoothing over the difficult places of our finance. But a powerful form of relief was in operation before that. It was a happy thought of the Government's advisers, on the outbreak of war, to lessen the tension and avert a possible gold panic by the introduction of Treasury notes for currency. This was a bold innovation. For nearly a hundred years there had been no small notes in England. Scotland had used them with financial

venience ever since 1704 ; and for a few years at the end of the eighteenth and in the early part of the nineteenth century the Bank of England, at a time of crisis, issued notes of the denominations of £1 and £2. In 1826 an Act was passed making it a penal offence in England to make, issue, publish, utter or negotiate any note under £5. The Government of the day also proposed to abolish small notes in Scotland and Ireland ; but this part of their project met with strong opposition in those divisions of the kingdom, the result of the agitation being the abandonment of the proposal. The currency of Scotch £1 notes across the Border was, however, prohibited by an Act of restriction passed in 1828, and much inconvenience was caused locally by this enactment. Until the beginning of August, 1914, the Act of 1826 was still in force, and during the intervening period of 88 years there was no legal tender paper currency in England of a smaller denomination than the £5 notes of the Bank of England and other banks of issue. There was, indeed, a popular prejudice against small notes, based principally on hygienic grounds. If it occurred to anybody—as it must have done—that our system provided nothing but gold as legal tender for amounts between £2 (up to which debts may be paid in silver) and £5, the logical inference from that discovery was forced into obscurity by the prominence of the sanitary objection. We seem to have almost overcome that prejudice now that the not unattractive Treasury notes have come into universal use and are installed as a permanent feature of our currency system, though an extra-dirty specimen now and then provokes disgusted comment. Gold has practically gone

out of circulation. The sovereign and the half-sovereign have vanished from the every-day transactions of minor finance. Gold hoarding in times of crisis will henceforth be checked by the initial inability to get the gold to hoard ; for although it is true that the notes are convertible into gold at the Bank of England, there is little or no exercise of this right of conversion because the Government's guarantee makes paper money equally effective.

Bullion will continue to be coined under the statutory provisions that make it obligatory on the Bank of England to give gold coin of an equivalent value in exchange for bullion which satisfies the Mint's standard. A gold coinage is still an important instrument in our external dealings when the balance of trade is against us, although most of the remittances are made in bar gold. But for all internal purposes notes are as good as sterling metal. When the Bank buys bullion it pays for it with its own notes. Anyone has a right to take bullion to the Bank and have it minted into coins free of cost at the fixed statutory price of £3 17s. 10½d. an ounce. Sellers of bullion, however (chiefly gold-mining companies), generally find it more profitable to avoid delay and loss of interest by selling outright at a fractionally less price. Most of the gold thus secured for national purposes will henceforth be at the disposal of the State acting through the Bank of England. Its use as currency is a thing of the past. It no longer glitters in the bank cashier's scales or chinks in the physician's pocket. Bank-notes remain legal tender for their full value, but not for less ; silver and bronze are still the media for the smaller transactions, cheques are used for most of the larger ones,

bills are accepted and discounted as before ; but our once familiar gold coinage plays a relatively insignificant and retiring part in the monetary dealings of the country.

The plain and not altogether agreeable truth is, that we must continue to build up our stock of gold, to be prepared for external requirements. When we owe another country, in the way of trade, more than it owes to us, plus the interest on any capital we may have invested there, the difference has to be paid in actual or promissory gold. Before America's entrance into the War, the urgency of the trade balance in her favour was so great, that the special measures already referred to had to be taken to relieve the drain of our gold. Sales of American securities that were held here, and loans effected in America, were the two chief expedients by which it was sought to retain gold at home and keep up the exchange value of the sovereign abroad. America's entry into the alliance has simplified matters, and her great resources will be available to obviate the need for gold shipments from this side. Sooner or later, though, we shall have to meet the new as well as the old obligations. The present advantage is that the pressure is lessened and the gold difficulty is no longer acute. At one time the situation gave rise to considerable anxiety. In the last four months of 1915 the Bank of England's metallic (as distinguished from its banking) reserve lost no less than £15,000,000. This disturbing fall was arrested, and the reserve was strengthened ; but there was another, though comparatively small, shrinkage at the close of 1916. The stock of gold on December 27th was nearly £3,000,000 more than

at the corresponding date in 1915, but it was £15,000,000 less than at the end of 1914, and £2,000,000 less than in the first week of November. Some indication of the extent to which gold has been shipped by Great Britain and her Allies is afforded by the fact that, whereas the total amount of gold in the United States on August 1st, 1914, was \$1,887,270,664, on October 1st, 1916, it was \$2,636,009,564—an increase of nearly 40 per cent. It was stated several months ago that, as a result of the influx of gold, the American banks were in a position, if it had been necessary or desirable, to have issued notes for £1,440,000,000, in addition to the existing issue. The irony of this is that the United States did not require our gold as gold. They had plenty of their own. More than a quarter of the world's gold production finds a permanent home there.

The significance of the gold movements has certainly not been lessened by the introduction of Treasury notes, which has brought about a change in the proportion of the metallic reserve. To understand this, it must be remembered that both these and Bank of England notes are convertible into gold on demand. We still hold, in theory at all events, to the fundamental principle of the currency system set up by Sir Robert Peel, that all debts above forty shillings shall be paid in gold or in currency convertible into gold. The Bank of England is allowed a fiduciary issue of £18,450,000 against Government securities, but any issue above that must be covered by actual gold in its vaults. Against the Treasury notes issue is held and ear-marked £28,500,000 of gold, and the balance is backed by bankers' securities. To show

how this works out, let us take the position for the last completed week of 1917. There were in active circulation £45,943,965 Bank of England notes and outstanding £212,782,295 Treasury notes and Certificates, making a total of £258,726,260 in paper, and the bullion (including silver coin) held against this liability was £58,337,469 on the Bank's own account and £28,500,000 on account of Treasury notes, totalling £86,837,469, or about 35 per cent. of the paper liability.

The position cannot be said to be altogether satisfactory. What strikes one as a disturbing fact is that Treasury notes to the amount of nearly £213,000,000 (it is larger now) have a gold backing of only £28,500,000. It has been officially explained that this rapid expansion in Treasury note issue is not inflation. It is not caused by the Government making a free use of the printing-press either to pay the wages of munition workers or to raise revenue, but it is the result of "a natural demand for currency on the part of the public as represented by the bankers." In the long run, however, it is as broad as it is long, for the new currency is employed ultimately to relieve the strain on the national revenue. There is at the end of every year an exceptional demand for currency, and this no doubt accounts for a fraction of the total of paper money outstanding as stated above. It cannot, however, be more than a small fraction, and in any case the amount of paper unsecured by gold is unpleasantly high. A large amount—probably the greater part—of the gold that was in private hands before the War has gone back to the Bank of England, so that there

would seem to be less need now than ever for increased paper currency ; notwithstanding this, it was being increased during the latter weeks of last year at the rate of from three to five millions a week, nothing being concurrently added to the ear-marked gold. In many quarters this expansion, which so nearly simulates inflation, is regarded as one, if not the principal, cause of the high prices of commodities ; there is, however, a partly sufficient explanation of these in scarcity of tonnage, excessive freights, and flagrant profiteering. It may, perhaps, be accepted that a reduction in the prices of necessary articles of food and clothing, or even a limitation by control, would have the effect of checking the demand for currency and making the convertibility of the notes less problematical.

The position of the note issue in relation to the gold reserve is not, perhaps, unsound, but it can hardly be described as robust. It is a valetudinarian product—or like a ship rigged for fair-weather conditions. As long as the War goes successfully for us, no irrational and headstrong impulse is likely to cause a run on the Bank's stock of gold ; but what would happen if by any malign chance we sustained either on land or sea a serious reverse ? Would not people lose confidence in paper money, and would there not be a *sauve qui peut* rush to the Bank of England in order to demand gold for notes, whether its own or those issued by the Treasury ? Gold, it may be supposed, would have to be poured out like water through a sieve unless the Government took upon themselves the responsibility of stopping payment and making the Treasury notes indefinitely inconvertible. Nothing

of the kind, of course, is likely to happen ; but you can only test the breaking strain of a chain by the strength of its weakest link. To shut one's eyes to what is, at any rate, a possibility, would be sheer stupidity. We may hope, with some confidence, that nothing untoward will occur to shake faith in the paper currency, since the obligations to be fulfilled abroad are sufficiently trying without the disturbing experience of a stampede of the public at home. We are brought round again, by these considerations, to the pressing need for an improved export trade to lessen the balance against us. The great—the overwhelming—need is trade, more trade, and yet more trade again.

XI

To achieve this result, many things are required. For one of them, it is the business of the manufacturers and merchants to put their house in order for a bold and well-planned campaign, going out into the highways and byways and compelling the customers to come in. It is their task to canvass the foreign countries, to book orders, to execute them faithfully, and to deal with all local requirements, so that the customer shall be eager to come again. All this presupposes a large and unrestricted output, the full use of machinery, the cordial co-operation of employers and employed. Can we hope for such an industrial Utopia ?

Before the War the Trade Unions stood out for restrictions in the workshops, and particularly for

restrictions with regard to the use of machinery. Any doubt that may exist about the effect of restrictions upon the full use of machinery, will be quickly removed by reference to figures of the relative American and British production. It has been calculated that the output per working man (partly due to improved machinery) is three times as large in the United States as it is in Great Britain. A study of the English census of production for 1907, and that of America for 1909, shows that in seven lines of production the United Kingdom produced £118,486,000 worth of goods, employing 634,617 wage-earners; while in America £389,232,000 worth of goods was produced by 753,290 wage-earners. Further, the horse-power to operate labour-saving machinery for these seven industries was 142,950 in the United Kingdom against 727,563 in America. In each country the horse-power figures per thousand workers are: here 225, in America 966. Finally, the wholesale value of production per wage-earner per year in these seven industries was: here £187, in America £517. The seven industries cited are cement, clothing, boots and shoes, cocoa, chocolate and confectionery, cutlery and tools, hats and caps, paint colours and varnish. American workers work no harder than British; on the contrary, they work shorter hours, but more efficiently, because they have better and more powerful machinery, and allow their machines to produce as much as possible. "By Americanizing the British industries, Great Britain can double and treble her industrial output, and she can thus double and treble wages to the benefit of the working masses." It can only be done with the consent of the operatives. How is

that consent to be obtained? Before considering this question it is necessary to take a general, if rapid, view of the employment outlook.

Trading prosperity, on which so much depends, can be assured only by the satisfactory character of the relations of Capital and Labour. Existing conditions are, of course, altogether abnormal. Mainly as a result of the great flocking of artisans to the Army, and of the extraordinary need of Government contractors for labour, there has been very little unemployment since the early stages of the War; skilled workmen, as a body, have been earning more than they ever earned; and although persons with small incomes from investments, and those dependent upon casual brainwork, feel the pinch, there are but few external symptoms, except that which is due to the threatened food supply, of economic pressure. This is the heyday of the manual worker. Everyone within prescribed limits of age has been theoretically able, if he wanted to, to find employment in one department or another of National Service. Unskilled labour has been sought after as it was never sought after before, and skilled labour has been assisted to meet the extra cost of living by means of War bonuses, which have at least averted from time to time the compulsory adoption of austere domestic discipline. So great, indeed, has been the demand for labour, that we have had the novel and generally satisfactory experience of women being employed in work hitherto mostly done by men. In addition to the two millions engaged on war contracts, there are women ticket-collectors, porters, booking clerks, letter carriers, lift attendants, policemen, scavengers, farm hands, grocers'

assistants, tram and omnibus conductors, gardeners, chauffeurs, van drivers and commissionaires.

It is interesting to cast a backward glance and to see how completely the anxieties with regard to employment, which marked the beginning of the War, have for the present receded into the background. It is worth while recalling the serious set-back that took place in August, 1914. Taking, first, the trades that are associated with Trade Unions, the percentage of unemployment, which was 2.8 for July, jumped to 7.1 for the following month. It then dropped to 5.6 for September and to 4.4 for October. The highest of these figures has been frequently exceeded in periods of bad trade, and was much lower than that recorded in the national coal strike of 1912, when the percentage rose to 11.3. The later improvement is quite remarkable, the percentage in November, 1917, being only 1.1. Another view is obtained from the figures which deal with unemployment in "insured" trades. Here the percentage rose from 3.6 for July, 1914, to 6.2 for August, but dropped to 5.4 for September and to 4.2 for October. For November, 1917, the percentage, including all branches of munition work, was only 0.67. The employers' returns, which must also be included, show that the average number of days worked per week in August, 1914, was 4.55 in coal-mining, 5.81 in iron-mining, and 5.82 in shale-mining. For November, 1917, the figures were, respectively, 5.46, 5.96 and 6.00. For the present, at any rate, there is plenty of employment, and wages all round are substantially better. The favourable conditions are general, except in Lancashire, where the Cotton Control Board, in view of the scarcity of raw

material, has had to restrict the use of machinery to 60 per cent. of its normal capacity, thus putting thousands of operatives on short time. Otherwise the upward movement of wages has continued throughout 1917, as it did in 1915 and 1916, and included great bodies of organized labour who had previously benefited. No complete account can be given of all the changes in rates of wages which have been made since the beginning of the War, as among unorganized people many changes escape attention; but a recent estimate puts the total cost of the extra wages now being paid at nearly £200,000,000 a year.

This *couleur de rose* situation is not going to last. When the War is over, unless the problem to be faced is boldly taken in hand, there may be a very different tale to tell. There are roughly 5,500,000 men in arms, 750,000 engaged in the Navy, 2,750,000 people occupied on munitions, and 2,000,000 on other industries connected with the War, making a total of 11,000,000 men and women engaged exclusively for War purposes. What does the Right Hon. J. H. Thomas, M.P., say? "When peace is in sight, hundreds of thousands of these men and women will be discharged, and if men who have gone through the hell of the trenches are brought back to take their places in a long queue looking for a job, they would say that they would have another 'scrap' to alter such a state of things." The remedy is largely a question of organization. Large numbers of men will be wanted in agriculture and ship-building, if the soil is to be properly cultivated and our means of ocean transport are to be equal to our necessities. But if farmers and ship-builders are not ready to take them on as soon as

they are liberated for civil employment, there is bound to be a good deal of unemployment just when the food conditions may be at their worst. One does not forget that a large number of British lives have been lost, and that many more men have been permanently disabled for following their ordinary, or indeed, any other useful calling. Many thousands of able-bodied young fellows, both officers and rankers, have thus disappeared from the commercial and manufacturing front line, and have left their places in civil life to be filled by others. The survivors, especially those who enlisted in Kitchener's Army and whose berths are being kept open for them, will, of course, displace their temporary substitutes and force upon them the necessity of finding new employment. It may, perhaps, be assumed that a goodly proportion of soldiers who were formerly tied to the warehouse, the bench, or the counter, having now tasted of the healthier outdoor life, will be loath to go back to their pre-war avocations. To many of them, doubtless, a new career will be open among their kinsmen across the seas.

However favourable may be the opportunities for extending trade, it will be quite impossible at first to take occasion fully by the hand. There must be a period of transition from war conditions to those of peace. Thousands of works and factories now engaged upon war work—there are 5,000 factories working upon munitions alone—will be returning to their peace-time work, and no matter how skilfully and speedily they may readjust themselves, there is bound to be some intervening period of unproductiveness. There is no sort of fiat that can expedite

beyond a certain point an operation of this kind and extent. No Government, or Council, or other body with executive powers can just wave a magic wand and transform all these war-work enterprises into manufactories of ordinary merchandise, like the dissolving view of a Drury Lane pantomime. Millions of discharged soldiers may be eager to get back to civil occupations, but it does not follow that there will at once be work for all or the greater part of them. On the contrary, it is almost certain that there will not. It will take many months to dismantle the munition-works of their present plant, and set up machinery for the sort of work wanted in peace time. Nor is it a question of material alone ; a very large sum of money will have to be found for financing these essential transitions. If there were no other reasons, this one of itself would be sufficient for recommending the Government, when the time comes, to proceed cautiously in the disbandment of the Army. It is better to go gradually than to glut the labour market with employment-seekers. Nor must it be forgotten that the men who have served cannot, generally speaking, be reinstated, so long as the War lasts, without also dispensing with the services of women and girls who have been engaged on war-work, and who will be unwilling to leave the ranks of industry. And after the War, at the very time when the statistical position puts out of bounds, in many cases, the possibility of marriage to hundreds of thousands of spinsters, a large body of women, married and single, will be thrown out of work simply because the need for their services no longer exists. It will not be an easy matter to satisfy the reasonable aspirations of

women who have learnt to be self-reliant, and who ask for no more than to be able to earn their own living respectably ; and it will be hardly possible to surmount the difficulties without causing wide disappointment and inflicting some injustice. The scope of any such inconvenience can, however, be restricted by being prepared to meet it. If, before the War stops, we make ready, as far as circumstances will allow, to go full-steam ahead with manufactures for export, to open and develop new foreign markets, and to grapple thoroughly with the world's requirements on a scientific as well as on a commercial basis, we must promptly arrange matters so that there will be workshops and machines for a good many of those who will be displaced by the cessation of war work. It would be a deplorable state of things if some thousands of women who have been earning good wages were unable to find remunerative occupation—perhaps unable to find any occupation at all. It will make all the difference to the future productiveness of the indirect taxes whether these women are able or not to continue to earn a sufficient income.

“ Prompt and energetic action ” is demanded by the British Labour movement ; not only here, but “ in all countries.” “ The dislocation of industry attendant on peace, the instant discharge of millions of munition makers and workers in War trades, and the demobilization of soldiers will, unless prompt and energetic action be taken by the several Governments, plunge a large part of the wage-earning population into all the miseries of unemployment, more or less prolonged.” It is, therefore, the memorandum goes on to say, “ the duty of every Government to take imme-

diate action, not merely to relieve the unemployed when unemployment sets in, but actually, so far as may be practicable, to prevent the occurrence of unemployment." A method of doing this is suggested; the Governments must encourage and assist the execution of public works, such as the making and repairing of roads and railways, the erection of schools and public buildings, the provision of working-class dwellings, and the reclamation and afforestation of land. The object, we are told, is not to find measures of relief for the unemployed, but to undertake works at such a rate in each locality as will suffice, with the various capitalist enterprises that may be in progress, "to maintain at a fairly uniform level year by year, and throughout each year, the aggregate demand for labour and thus prevent there being any unemployed." Whether such a scheme would be feasible, and if feasible effective, can only be determined by putting it to the actual test. So long as the proposed works can be fairly classed either as imperatively necessary or as economically productive, no reasonable objection could be taken; but if the machinery for the employment of public money, whether locally or nationally, were set in motion to carry out enterprises without any such justification, the taxpayers and ratepayers would naturally protest against what many of them would regard as an indirect subsidizing of labour. It would be unsound in principle and dangerous in practice to enter into big contracts for which the general community would ultimately have to pay, simply by creating a demand to absorb a surplus supply for the benefit of a particular class. Proper regulation would prevent this kind

of development, and there are, and will be, many legitimate opportunities of carrying out useful public works which would not only meet a real want, but would also prove ultimately a good investment.

In the meantime, the Government have not been idle. After much consideration, proposals have been made by the Ministry of Labour, in conjunction with the War Cabinet, for effecting the discharge and the resettlement in civil life of the members of the forces, the responsibility being jointly shared by the Admiralty and Army Council and the Labour Ministry. No details had been published when this paragraph was written, but two general principles have been set forth. The first is that the military and naval authorities have accepted as the basis of their plans for demobilization the principle that when a lasting peace has been assured men must be released from the forces in accordance with civil rather than with naval or military requirements. The other is that the Ministry proposes to make use of the machinery of the Employment Exchanges, and will have the assistance of a central body, to be known as the Labour Resettlement Committee, representative of employers and workers, which will deal with all general questions affecting resettlement; in addition to which local committees will be set up. These principles seem sound enough. The only alternative to piecemeal discharge is universal discharge, the obvious perils of which are great enough to ensure its rejection by both Capital and Labour. Millions of disbanded men, of whom many were without employment, discontented and lawless, would be not only a sharp thorn in the side of industrious Labour itself, but also

a menace to the stability of the State. How long it will take to bring back the soldiers and sailors to civil occupations depends very much upon other circumstances, to which it is now necessary to refer.

XII

THE conditions, so far as they can be judged, do not justify the belief held by some eminent authorities that immediately following the declaration of peace there will be a great trade boom. The disabilities to which attention has already been drawn seem to make an immediate recovery most unlikely. Reference has also been made to the belief that after such a colossal struggle and the confusion it has caused, it would be idle to expect that the machinery for a phenomenal output could, even in the most favourable conditions, be immediately got ready even if there were signs of any such abnormal trade development. Nor is an outburst of feverish prosperity of this kind altogether to be desired. Great booms are always followed by equal and opposite reactions. Although a trade boom may mean the making of many individual fortunes, it is too often the precursor of bad times and scarcity of employment for the majority. And it is on the consistent prosperity, not of the minority but of the majority, that our commercial future, as well as our financial solidity, largely depend. If a great sudden spurt in the export trade had to be followed by a calamitous relapse, it would scatter to the winds those comforting dreams of

consistent national welfare in which most of us are not irrationally indulging.

Moreover, there are the threatened food crisis after the War, and the competition for a limited tonnage and for stocks much below the average, to be considered. If industrial unemployment to any great extent were supplemented with a real food shortage all over the world, any trade revival on the big scale would be out of the question until food became plentiful again. Men must eat to live, let alone to work. It may be possible with energy and organization to secure our own population from the more serious effects of such a shortage; but if other countries are less fortunate in staving off famine, of what use are they likely to be as customers for manufactured goods as long as those conditions prevail? They will be clamouring for food and not for manufactures. Unless, therefore, the predictions of a world-wide food scarcity are unduly pessimistic, it seems idle to look for any immediate great development of trade at least until the world's harvests and consumption get back to pre-war standards, and an international craving for the comforts and even the luxuries of life is once more experienced.

Even if these malign possibilities are purely visionary, there is still a danger that has to be rigorously guarded against. We must not be blind to the possibility of a relapse being brought about from within as well as from without. An essential condition of a great and steady export trade is a continuous maximum output. Any restriction of output cripples export, and by interfering with the trade balance brings about a proportionately greater finan-

cial strain. Of several causes which may lead to a temporarily-diminished output and a consequent disorganization of export, one of the most serious is industrial discontent expressing itself in strikes. A strike, in ordinary times, is a legal, and sometimes the only effective, method of obtaining justice. It is, however, an expensive method at the best—expensive to the employer, expensive to the employee and expensive to the country. Any disturbance of the working relations between Capital and Labour which tends to check the outflow of manufactures has a far-reaching and injurious financial effect. The game, from the contestants' point of view, may or may not be worth the candle; it is quite certain that it is not worth the candle from a national point of view.

The British workman needs discreet and tactful handling. He is no mere mechanical figure to be wound up and made to do just what the operator chooses. He is a product of the individualistic spirit of Democracy, and he has the virtues as well as the faults of that spirit. There would be a gain in some respects, no doubt, but a great loss in others, if he coveted and sought to resemble the more disciplined German type. The latter is essentially a machine-man. He is the obedient, and often submissive, creature of militocratic regulations. This is because, and only because, the Germans are not in any sense a free people. They have no free institutions; their parliamentary government is a make-believe; they live under a politico-military despotism. They are easily dragooned this way or that because they have no wills of their own. The British temperament revolted against this sort of thing in the time of the

Stuarts, and settled it once for all. You cannot have the spirit of liberty and the practice of subjection in the same body politic. Such a ruler as the Kaiser, with his dreams of conquest and his obsolete theory of "divine right," would have been impossible in any country not educationally trained in the doctrine that "whatever is is right," and not tutored to obey with docility the behests of its leaders. If, therefore, we must choose between the education that fits men for freedom and that which drills them to be machines, there is not much doubt that however desirable it may be to study their methods and apply them in part, we shall avoid the German example in its entirety, notwithstanding its thoroughness and efficiency, as carefully as we should avoid the plague. We must deal, moreover, with such material as we have, and with such conditions as exist.

In some respects, the German system has what many people regard as advantages over ours. It trains the young to be obedient and submissive to authority, and to do as they are told with machine-like regularity. The kind of character thus developed is easily moulded to the purposes of the State. In Germany, collectivism is considered of greater value than individualism. The British character, trained in an entirely different school, is the exact opposite. Our people are more independent, more self-reliant, but less amenable to discipline. The training that has made them thus has been going on for generations, and it would take generations to transform them according to the German model. Any endeavour to do so would not only be impracticable, but it would be stupid. The British working-man is no more

likely to change his independence of character for a "dumb, driven" substitute than is the Ethiopian likely to change his skin; and with all his faults he is still the ablest workman in the world. The best mechanical work turned out in this country will not only challenge comparison with the best anywhere else, it will beat it. There are many respects in which our working-men could be improved, but if the improvement meant that they are to lose all their individuality and become mere mechanical figures, then it is much better they should remain as they are.

During most part of the War there has been industrial peace—a superficial peace. Beneath the surface there has been a good deal of discontent and unrest, much of it due to the high price of food, the greed of the profiteers, and the inadequacy of wages; and obstinate strikes have only been averted by the exercise of much external diplomacy. If that is the position now, what will it be when peace is restored and demobilization takes place? A partial disorganization of employment, when the soldiers resume their civic duties and the services of munition-workers are no longer required, is almost inevitable; but if the problem be taken in hand in good time, there is no reason why it should be either serious or prolonged. The extent of unemployment, and of the mischief and dissatisfaction that result from unemployment, depend almost entirely upon whether or not we are earnestly resolved and fully prepared to put every ounce of the nation's strength into developing foreign trade. If, when the War stops, we are ready to go full speed ahead with manufactures for export, to open and extend foreign markets, and to grapple thoroughly

with the world's requirements on a scientifically organized system, there should be before long workshops and machines for most of those who are displaced by the cessation of war work. Export is the only sure solution of our difficulties. There will be enormous interest to pay on the War Debt, heavy taxation will continue to be necessary, and unless we are to steer straight for a catastrophe we must create new sources of income. That can be best and most quickly done by means of a rapidly-expanding trade, and rapidly-expanding trade requires as *its fundamental condition the fullest possible employment of every work-bench, every anvil and every machine in all the workshops of the land*. Every restriction of production cripples export, and, by making the trade balance more adverse, brings about a proportionately greater strain on the taxpayer. We must send abroad our manufactures in unlimited quantities if we are to make the balance tell more in our favour.

Of the several causes which may lead to a diminished output, and a consequent stagnation of export, the most serious are industrial discontent expressing itself in strikes, "scamped" and half-hearted work, and the artificial checks placed on industry by Trade Union regulations. Any disturbance of the working relations between Capital and Labour which tends to lessen the output of manufactures has far-reaching and damaging effects. The most urgent need of the coming time—it cannot be too often repeated—is industrial peace. And next to this comes—perhaps we should say out of it comes—industrial zeal and thoroughness. If we are, by a vigorous and sustained policy of trade expansion, to recover some part of the

uge costs of the War, we must find a way of bringing apital and Labour into harmonious and mutually elpful double-harness. Machinery is demanded that ill make industrial dissensions, if not impossible, et as rare as angels' visits and as short-lived as a immer midge. Happily, it looks as if the Govern-ent were travelling on the right road.

XIII

HE recommendations of the Sub-Committee of the Reconstruction Committee of the Board of Trade (generally spoken of as the Whitley Report) are a romising endeavour to secure co-operation between apital and Labour. One significant and revolutionary eature of these recommendations is that workmen's rganizations—in other words, Trade Unions—are o be fully recognized. They are to participate with he employers' representatives in Joint Trade Councils, nd are to have a voice in all matters that directly oncern their industrial welfare. The old, obstinate onservatism that refused to recognize the men's Unions, or to carry on any negotiations with or hrough them, must finally go by the board.

It follows necessarily that nothing affecting the uthority or rules of the Trade Unions will be at-tempted without full consultation and the con-currence of their leaders. This is an important oint, because we cannot revert to the restrictions on roduction imposed in normal times by Trade Union egulations if we are to hold our own against, let lone defeat, our commercial rivals. It is fully under-

stood that the relaxations sanctioned by the Unions, in the most patriotic spirit, were to last for the duration of the War only, and it would be a breach of faith to seek by anything but fair argument and persuasion to bring about even their partial continuance after the War. The working classes have, during long years of struggle, built up in most of the big trades fabrics of self-protective principles which they are not likely to tear down without good reason, and then only on getting assurances of equitable consideration in the form of a Roland for their Oliver. But if it can be proved to them that there will be as urgent a necessity for the renunciation of cherished rights in peace-time as there has been in War-time, and that their concessions are not to be a one-sided surrender of dearly-bought customs, the possibility of friendly agreement does not, by any means, seem remote. The matter is set forth without the least ambiguity in the Committee's Report. "Definite co-operation and acquiescence by both employers and employed must be a condition of any setting aside of these guarantees or undertakings, and if new arrangements are to be reached, in themselves more satisfactory to all parties, but not in strict accordance with the guarantees, they must be the joint work of employers and employed."

To obtain the whole-hearted co-operation of the Trade Unions in a permanent surrender of regulations which, whether wise or not, they regard as a valued franchise, will doubtless prove to be a matter of *quid pro quo*. Capital must also make its concessions. That it is ready to do so we are assured by Mr. Douglas Vickers, of the great firm of Vickers, Limited, who has publicly stated that if the restric-

tions on output were removed, the employer would gladly give to the workmen the share he deserved. The subject will have to be threshed out by Joint Councils, and a *modus vivendi* found, if our trade supremacy, and not that only, but our trade existence, is to be maintained. The basic need is a feeling of friendliness and mutual goodwill instead of the existing antagonism and distrust. It is perhaps inevitable that the man who works for wages and the man or company that pays the wages look at their relationship from entirely different angles. Nor is it by any means a simple thing to establish such a relationship as would cause the workman to believe, and also to give practical effect to his belief, that to do the best for his employer is to do the best for himself. The Reconstruction Sub-Committee's scheme would be worthless if it did not put forward a method that gives large promise of this amicable relationship. By the machinery, for each of the main industries, of a National Joint Standing Industrial Council representing employers and employed ; District Councils representative of the local employers' associations and Trade Unions ; and Works Committees representative of the management of, and the workers employed in, particular workshops, every facility will be afforded for discussing and removing differences, getting rid of grievances, and entering into satisfactory compromises. What is aimed at is a real co-operation, which it is hoped to secure by granting to the workers a larger share in the consideration of matters affecting their particular industry, and by offering them the means of obtaining " improved conditions of employment and a higher standard of comfort." The scheme

has gone to the leading employers' associations and the Trade Unions for consideration and criticism, and it has been announced that the replies to the circular are so far very satisfactory. Specially encouraging is the report of the Parliamentary Committee of the Trade Union Congress, which declares that they are satisfied the proposals are of real value, and are capable of being adapted to the varying conditions of the different trades, provided always that they are accepted and acted upon by both sides in a broad and friendly spirit.

The Report gives evidence of a real understanding of the subject, and of an accurate diagnosis of the causes of the discontent which it is the object of the scheme to remove. There has been, indeed, plenty of guidance on the latter point. In an able pre-War pamphlet on "Industrial Co-partnership," Mr. Charles Carpenter says that "the rapid extension of disaffection must be ascribed to the existence of a widespread belief among the working classes that they have not had their fair share of the increased wealth and prosperity which the country as a whole has enjoyed. On every side are evident signs of the greater luxury existing to-day compared with (say) a quarter of a century ago, and in considering them the average workman who asks whether his position and prospects in life have improved in the same degree almost invariably answers in the negative. On the other hand, most employers, if questioned upon the subject, would just as unhesitatingly affirm that their men do not work as well as formerly, that they take less interest in their employment, and could be less depended upon than in the past to perform satisfactorily the duties they

engaged themselves to fulfil." The War has made some of these strictures no longer applicable, but in essence the views of employers and men will remain constantly divergent, unless by establishing a common basis of interest it is possible to reconcile them. The pith of the matter lies in a sentence uttered by Lord Leverhulme. "All efficient work," he said, "requires the joint efforts of ourselves and our mates. *If I do less than my share, then my mates must do more than their share, or there will be less for both of us.*" When Mr. Neville Chamberlain was Lord Mayor of Birmingham, he formulated three "wants" on the part of employers and employed, the satisfaction of which would be a great step towards industrial peace. The Wants of Labour are :

1. A greater share in the distribution of the wealth it creates ;
2. Greater regularity of employment ; and
3. Improved conditions of life in the factory and the home.

The Wants of Capital are :

1. That Labour should put forth its utmost effort in production ;
2. That there should be reasonable notice of any change in wages ; and
3. That Labour should not be unnecessarily withdrawn.

These Wants may be supplemented with the following recommendations made by a Committee of the British Association appointed for the promotion of industrial harmony :

1. That there should be greater frankness between employers and workpeople, that they should

discuss industrial matters together or through duly accredited representatives, and that employers should consider the cost of labour, and not the wages earned by the individual workman ;

2. That employers and workpeople should improve their organizations, with a view to determining jointly the conditions under which industries should be carried on, and that in each industry permanent boards or committees should be set up to consider all matters of common interest ; and
3. That the necessity for co-operation between employers and employed should be recognized by both. Stress was also laid upon the necessity for spreading a knowledge of economic conditions, the present ignorance of which leads to the harbouring of suspicion, and thus produces unrest.

Only two or three months ago two prominent members of the Labour Party, referring in the House of Commons to the work done in the munition factories, said the way was now open for a new and cordial understanding between Capital and Labour, and for finding a method by which the two " thoroughly poisonous " features of our industrial life might be eradicated—the cutting of piece rates on the one hand, and the restriction of output on the other.

The Government have taken the first and most important step. They have suggested the machinery for the establishment of permanent boards or councils " for [considering] matters of common interest "—a comprehensive phrase. If the scheme is adopted, this

machinery will be competent to deal with all the difficulties, and to apply remedies. The matters which, it is suggested by the Sub-Committee, should be dealt with by District Councils are many in number and weighty in importance. They include such questions as technical education and training, industrial research and utilization of its results, improvements of processes, machinery and organization, the methods of fixing, paying and readjusting wages, "having regard to the need for securing to the workpeople a share in the increased prosperity of the industry," establishment of regular methods of negotiation for issues arising between employers and workpeople, and means of ensuring to the workpeople the greatest possible security of earnings and employment. Some of these topics appear to be more suitable for the consideration of the National than of the District Councils ; but that is a mere detail.

Since the Report was drawn up, the question of shop-stewards has come to the front, and has, moreover, been the cause of serious stoppages of work at Coventry and elsewhere. Happily this difficulty has been smoothed away, as it might have been at the outset if the conflicting interests had only taken a reasonable and conciliatory view of the matter. Representatives of the Amalgamated Society of Engineers and kindred organizations have met the employers in conference, and it was found that the question was one which offered favourable possibility of adjustment on a constitutional basis. It was proposed that shop-stewards should form a new link in the existing procedure in the belief that their recognition on a constitutional basis would form a useful means of keeping

the unions in touch with workshops' conditions as they vary from day to day, and would also help to bring the management into closer touch with the workpeople.

XIV

REVERTING to the Whitley Report, beyond the reference to "securing the workpeople a share in the increased prosperity," no recommendation is made with regard to profit-sharing, co-partnership, or particular systems of wages. Indeed, the Sub-Committee expressly refrain from making suggestions. One reason given for this reticence is that conditions vary greatly in different trades, and that general recommendations would be of a little practical value. Take, as an instance, the exceptional character of the shipping trade. One condition of any workable plan must be more or less continuous employment. Labour which shifts from one employer to another, as a bee flits from flower to flower, cannot be classed with labour which is permanently attached to one and the same employer. Mercantile seamen are very often aliens; but whether they are aliens or not, they generally sign on for a voyage and in the course of twelve months may be working for four or five different shipping firms. It would be quite impracticable to apply the principle of co-partnership, even in the mildest form, to men whose duties are so irregular, and whose business is so migratory—men who are, so to speak, here to-day and gone to-morrow—

and to give to the nomads of the sea either a share of the profits or a fixed percentage on each voyage they made.

Another reason for the absence of co-partnership suggestions is that a permanent improvement in the relations of employers and employed "must be founded upon something other than a cash basis." This is a sonorous principle, but it seems wide of the mark. One would gladly welcome a little more sentiment in business, for the scarcity of it is responsible for a good deal of ill-feeling. The rapid extension of the limited liability companies, with their substitution of delegated authority for the old-time relations of employer and employed, has led to a system of paid directors and officials with hide-bound regulations and unimaginative and unsympathetic souls, who are for ever uttering, and acting upon, the silly shibboleth that "there is no room for sentiment in business." This phrase and its application in practice have done more harm to British industry, and have generated more bitter antagonisms, than a host of other hostile influences. But wide as is the opening for sentiment, the workman wants it in a tangible form. Good feeling counts for a great deal, but in most business relations good feeling rests ultimately upon "a cash basis." The employers work for profit, and the employed have ancient authority for saying that the labourer is worthy of his hire. Many of the troubles in the industrial world have had to do with wages, or with hours—which is much the same thing. If the working man is to avail himself of the "higher standard of comfort," he cannot afford, in co-operating with his employer, to leave out of con-

sideration the material "cash basis," or even to give it a back place.

A more formidable argument against formulating or recommending any scheme or schemes of co-partnership is the fact that, with a few notable exceptions, past experiments have been a failure. Out of 193 schemes tried between 1865 and 1895, only 51 survived in 1907, and during the subsequent ten years the experience, regarded numerically, has been no higher. The important survivals can now be almost counted on the fingers. Two or three of the best may be briefly described. An instance in which the simple cash-bonus plan has lasted for a number of years is that of Clarke, Nickolls & Coombs, Ltd., manufacturing confectioners, of Victoria Park, N.E. After the ordinary shares have received six per cent., the surplus profits are divided in equal proportions between the workpeople and the shareholders. During the 27 years that the scheme has been in operation £235,025 has been paid in cash bonuses to Labour, the participants being eligible after one year's service. A few years ago Lever Brothers, Ltd., of the Port Sunlight Soap Works, established a co-partnership scheme, with £500,000 of Partnership Certificates put into a Trust for the benefit of the workpeople. The certificates are distributed yearly in proportion to the employees' earnings, the amount working out at about $12\frac{1}{2}$ per cent. on the annual salary or wage. On September 20th last the total number of co-partners, home and foreign, was 4,600, and the total amount of certificates outstanding under the trust deed, including allotments for 1917, was £645,275 nominal—that is to say, the nominal amount on which the

co-partners' dividends are payable. Another successful industrial partnership is that of the South Metropolitan Gas Company. Here the workpeople receive a percentage bonus on their salaries or wages, half in cash and half in the company's ordinary stock, the percentage rising or falling in inverse ratio to the rise and fall in the price of gas, in the same way as the sliding scale which determines the shareholders' dividends. Down to June 30th, 1917, the aggregate so distributed was £771,802. Reference may also be made to the profit-sharing scheme which has been in operation during the past twelve years in the works of John Knight, Ltd., soap manufacturers. After five per cent. dividend is paid on the Ordinary capital (there are no Preference shares), half a week's extra wages is given to each employee for every one-half per cent. dividend paid over and above the five per cent. One-half is paid in cash, and the other half is placed to his credit with the company, and he receives interest thereon at the same rate per cent. as is paid in dividend. At the annual meeting in February, 1917, Mr. J. W. Hope, the chairman, took the bold and exceptional course of saying that, while it was looked upon by many as a generous scheme, he and his co-directors felt that a much more generous share of profits should be extended to the workers. Mr. Hodge, M.P., the Minister of Labour, referred the other day to the trade to which he belonged, in which they had, he said, a system of sliding scales whereby the market price of material governed wages, and he did not see why that could not apply to every industry.

Such exceptionally successful cases do not perhaps

justify one in thinking that profit-sharing would be a panacea for all the difficulties between Capital and Labour, or that the workman would be made eternally content by a system of variable bonusès or irregular dividends, even as a supplement to regular wages. A method of co-partnership which would in one case evoke a true spirit of loyal endeavour, so that every employee would do his best in the interests of the firm or company for which he worked, might be quite ineffective in another. Nor would it be enough to provide a basis of amicable relations unless a conscientious and zealous effort to develop, so far as Labour could do it, the latent possibilities of the business were at the same time ensured. A cash bonus is an attractive inducement where profits are being made; but a bonus dependent on the fortunes of a favourable year, and liable to fluctuations, would not be much of an incentive to best effort unless provision were also made for a part of it to be invested for the employee in the shares of the company. Co-partnership means a permanent interest; it is a contradiction of terms without it; and co-partnership as distinct from simple profit-sharing would seem to provide for the work-people the maximum of benefit with the minimum of disadvantage. Whether the shares are allotted as a reward for diligent and faithful service, or are paid for on the instalment plan by deductions from wages, is not so important a matter as the acceptance of the principle that the employee should be able to become a duly qualified shareholder as well as a wage-earning servant.

It would raise the whole tone of industrial life to give the workmen the feeling of ownership. This

feeling cannot be created by annual distributions of cash which confer no permanent right, and do not rise much above the level of gratuities. Those schemes have lasted longest and proved the most successful in which a part at least of the profit divisible amongst the workers is in the form of instalments on account of share certificates. On the other hand, according to Mr. W. T. Layton, the great majority of profit-sharing failures have been in connection with cash-bonus schemes, or in schemes where the workmen have been required or expected to contribute money out of their own earnings. Not only should the employee be able to acquire shares as part of the reward of his industry and care, but when those shares become fully paid they should be his inalienable property. Schemes which make employees' shares forfeitable at death, or even on dismissal for anything short of rank insubordination or criminal misconduct, are contrary to the spirit of permanent and responsible ownership. In practice, it must be admitted, the existing co-partnerships are all more or less restrictive in this respect. We doubt if there is one in which the workman, having acquired a share certificate, is able to deal with it in the same way as if he had bought it in the open market. If industrial co-partnership is to become popular, this phase of it must be more elastic.

A generation or two hence this conception of co-partnership may be looked upon as a natural stage in the evolution of Labour. Mazzini was perhaps prophetic when he said that the workman had originally been a slave, then a serf, then a wage-hireling, and must end by being a partner. Natural law seems to make for such a development. Science justifies it.

Economic and ethical necessities approve of it. But to be candid, practice so far, if not against it, is not definitely for it. And in any equitable co-partnership scheme there is the *tertium quid* to be borne in mind—brains. Capital and Labour are indispensable, but they can do very little by themselves. No matter how considerable may be the capital and how zealous and conscientious the labour, if there be no initiative, no enterprise, and no organization the capital will soon be exhausted and the business have to be wound up. Brains are just as necessary as capital and labour; indeed, they should properly be classed with labour; and if they are lacking in the management, all the profit-sharing theories in the world will count for nothing but disappointment. There might be two firms or companies in the same trade, one cleverly managed, making large profits, and distributing bonuses to its workpeople; the other badly managed, making no profits at all, and only just able to pay its hands their bare wages. A system which admits of such anomalies is hardly likely to be recommended by the Trade Unions for “general consumption.” If a practical plan could be hit upon, suitable to the majority of businesses, and workpeople as a body derived material benefits from it, such a plan would help to consolidate the good feeling of co-operation; for, when all is said and done, the “cash basis” is a mighty institution.

It is only fair to say that the scheme of Joint Councils has been received with a disapproving shrug of the shoulders by some eminent economists. Mons. Yves Guyot, for example, favours a system of “Joint Stock Labour Companies,” or “Labour

Co-operative Societies," whose business it would be to organize labour, sell it wholesale to manufacturers, regulate its price, be responsible for its execution of contracts, and undertake liability for accidents arising out of employment. Those who want to study this proposal in detail are referred to the *Nineteenth Century and After* for February last. The only thing that need be said here is that it would probably take a long time to make the plan intelligible to working men, and to convince them that it would be an advantageous substitute for the recommendations of the Whitley Committee. These, for the present, hold the field, and as time is pressing and some method of co-operation is urgent, it seems unwise to discourage their immediate practical application with vague allurements of new and not-easily-understood remedies.

Although the Government proposals are only addressed to those trades with existing organizations, and deal with only one aspect of the problem of industrial Reconstruction, they hold out great promise of a solution of many very grave questions. They have the strong approval of the War Cabinet, who feel that the future of industry, and, indeed, of the country itself, is closely bound up with such a solution. They constitute an earnest and statesmanlike endeavour to remove what is a great stumbling-block in the way of our prosperity, and which might even, if allowed to remain, become the cause of irretrievable national disaster. Moreover, the present is a great opportunity. *No such chance has ever occurred before ; if we let it slip, it may never occur again.* We have seen of what the workpeople are capable under the stimulating influence of patriotism, how splendidly they have worked, how

loyally they have helped the Government in a tight place, and how self-denyingly, with a few exceptions, they have refrained from making trouble because food prices were bounding up and their wages were relatively stationary. They have created a standard to be lived up to by their class, the maintenance of which will be even more vital to the country after the War than it is to-day. Let us get to work, determined not to fall below that standard. The sooner the various representative bodies come together—a few of them have already done so—and study the programme of the problems that they have to solve, the readier we shall be to face the after-War crisis, fully prepared and equipped. We have had one great and costly lesson in the folly of unreadiness; do not let us have another which it will be beyond the power of man to counteract.

XV

It may be hoped that the space devoted to Labour questions has not been wasted. Whatever tends to greater efficiency and productiveness tends to the well-being of the country. By increasing exports it helps to keep money at home instead of sending it abroad for the discharge of trade balances. This question of keeping money in the country is one of great moment, but its effects are only partial. Money can be kept in the country by increasing home food production and by economy in living, but the only new sources for the payment of debt-interest are these: increased

exports, new or higher taxation, and the State ownership of profitable undertakings. There can be no possibility of borrowing simply to provide the interest on pre-existing loans ; that, wherever adopted, is the last, or nearly the last, disreputable device of discredited finance. In the three ways named, and in those alone, can salvation be had if it should be found later that the provision already made is insufficient for the service of our growing obligations. The first is, of course, indirect in its action, and operates mainly through the trade prosperity of the country, as reflected in the income-tax yield and in the expenditure of the working classes on dutiable commodities. The second—higher taxation to secure a larger revenue—can have no element of popularity or permanency unless it is limited to those who can best afford to pay, or is imposed in the form of duties on non-necessary articles, and on articles which compete with manufactures that can be just as well produced at home. The third, State ownership, which means State purchase, to be successful and advantageous, must be applied to the acquisition of profit-making enterprises whose future prosperity is not likely to be imperilled by the capricious favour shown to new fashions or new inventions ; enterprises which must be bought at a price fair both to purchaser and seller, and worked on sound business lines. State purchase, moreover, must equally avoid the creation of a crowd of highly-paid superfluous officials and of an industrial army of political dependents. These safeguarding conditions being assumed, there is no valid reason why the State should not buy and run any undertaking, or group of undertakings, out of which it

can permanently earn enough profit to justify the acquisition—in other words to make a commercial return on the capital. If, in time of War, it is right and proper, in the interests of the Defence of the Realm, for the State to commandeer private property, it is no less right and proper, in time of peace, for it to purchase public utility enterprises for the purpose of helping to pay for the War. The honour of the Realm stands on as good a footing as the Defence of the Realm, and the honour of the Realm demands that the State shall employ any lawful and equitable means for keeping faith with those who have put their trust in its promises. The justification might be carried even farther and held to include State purchase in order to relieve taxation generally, whether its application be to war interest or to normal peace purposes.

An increasingly large number of people think that it would be a great financial aid to the State if the Government were to buy up the railways and the mines. It cannot be said that the Government control of the railways during the War, however successful, has carried us very far on the road to Nationalization. Many serious questions must arise, and many initial difficulties be cleared away, before a State purchase of the whole vast and costly railway system of the country can be seriously taken in hand. The most that recent experience has shown is the ability of the Government to give due preference to the paramount needs of the situation and to deal judiciously with the labour side of the problem. The more vital questions of the permanent relations of the State as employer, of the creation of a huge new

national investment, and of the success or otherwise of other State-managed commercial undertakings, are barely touched by temporary measures contrived for a particular end. The only justification for taking upon our hands another enormous liability would be the irrefragable evidence that the scheme would pay; not only that fares and freightages would be lowered and trade interests more considerately studied, but also that there would be a very substantial surplus after paying interest on the money with which the stockholders would be bought out, and making full allowance for depreciation and renewals. The two heaviest items of working cost, coal and wages, have greatly increased of late years, and as War bonuses have been made permanent, the net profits are not likely to be on the old scale of satisfactoriness for a long time to come. At any rate, to be on the safe side, calculations can no longer be made on the pre-War basis of expenses, and a continuation after the War of increased fares and rates, and other restrictions on trade and inconveniences to the travelling public, are equally out of the question.

Under the editorship of Mr. Sidney Webb, the Fabian Research Department has contributed a volume of essays entitled, "How to Pay for the War," in which State ownership of the railways is strongly advocated. Therein the line is boldly taken that "the only effective way of meeting the new burdens is, not by increasing imposts, but by making the nation as a whole more productive." The writers are against all "fancy" taxes, not only because they would be more trouble than they are worth to collect, but also and chiefly because they would be but a drop in the ocean.

They are equally against a Customs tariff, "with its drawbacks of raising prices to the consumers, putting an unnecessary toll of profit into the pockets of some capitalist employers to the detriment of others and diminishing trade all round," because the amount of revenue such a tariff would raise is "so disproportionate to the need."

"The only real way to pay for the War is to replace, by new construction, the material wealth that has been destroyed." If, instead of saying "the only real way," Mr. Webb had been content to say "one of the real ways," he would have gained more adherents without weakening his own case. And his case is a pretty big one. It comprises five highly debatable schemes of great magnitude, of which the State Purchase of Railways and Canals is, perhaps, the most important. The others are the development of the Post Office as a source of profit, the nationalization of the coal supply, State life insurance and "a revolution" in the income-tax—a revolution remarkable for a new proposal for graduation by which the net income of a man with £30,000 a year taxed at 5s. in the £ would actually be more than the net income of a man with £100,000 a year, taxed at 16s. in the £.

The State Purchase of Railways section is, however, the one with which we are immediately concerned. In principle, the proposal that the Railways and Canals should be acquired by the State has gained a good deal of support. We need not stop to argue that cheap transport is one of the essentials of increased production, or that cheap transport is more likely to be obtained by a centralized system of working than by an agglomeration of competing com-

panies with all the waste inseparable from miscellaneous control. Home industries, and particularly the market garden and fruit-growing industry, have been severely handicapped in the past by anomalies of rates which gave an advantage to the foreign over the English grower. Nothing need be said about the exceptional rates of War-time, because ordinary conditions are completely upset and everything has had to be subordinated to military necessity. It seems impossible that we can ever go back to the railway policy of pre-War days. Home productions must not be put on less favourable terms than imported productions. It must not cost more to send fruit from Kent to London than it does to send it from France to London. Traders must not be burdened with charges due to the excessive costs of extravagant competition. Railway shareholders would welcome a change which superseded the present superfluous boards of highly-paid directors and officials by a central authority co-ordinating the work of the various companies in the interests of economical efficiency.

But this, if it were carried out, would by itself mean no more than Government control. It would in no sense mean State ownership, and State ownership is essential, in the opinion of many people, not only for the successful solution of the transport problem, but more especially for any financial advantage to the country. There is no *a priori* objection to State purchase so long as the interests bought out are paid for at a fair price. No shareholders would be so foolish as to refuse the equivalent value of their shares in State-guaranteed bonds, bearing a fixed if a slightly

lower rate of interest. But directly the question of compensation comes in, we are faced with practical difficulties. How is the price to be determined of "watered" capital, which often consists of shares of only nominal value that have never paid, and never will pay, a dividend? Consistent dividend-earning stock can be easily valued at so many years' purchase of the average dividends for the three preceding normal years. That rule, however, would give no practical guidance for some of the smaller fry of the share market. The difficulty is not insuperable, and there ought to be a way of reconciling the interests of the State on the one hand and those of the holders of railway "counters" on the other.

It may be assumed that the Government could manage the railways at such a profit as would enable them to pay to the existing stock-holders interest on the purchase price, and also to have an important surplus. In Mr. Webb's book it is suggested that the Government should buy out the holders of railway stocks at their Stock Exchange valuations at some future undivulged date, instead of on the terms of purchase laid down in the Act of 1844, paying the price in Government bonds bearing interest at such a rate as would make them saleable at par. This rate would probably have to be at least $5\frac{1}{2}$ per cent. considering that War Loan yields $5\frac{1}{4}$ per cent. The Fabian writer calculates that after paying interest on the bonds there would be an annual surplus which, if used as a sinking fund, would, by the end of the century, be sufficient to extinguish £2,500,000,000 of the National Debt. It is an attractive picture, but long before A.D. 2000, aviation may be the chief method of long-distance locomotion,

and railways be as obsolete as stage-coaches. Such a measure would, at the outset, add nearly £1,000,000,000 to our national liabilities, and although this—supposing existing conditions to last—would be a productive and profit-making debt, the disastrous experience of some of the municipal tramways and electricity undertakings ought to make the State cautious of embarking upon a huge transport enterprise of whose future no man living can be certain. If one could be sure that the railways are going to remain for the next eighty or ninety years the principal means of inland transport, and that their electrification can be indefinitely delayed, it would be possible to agree heartily with the Fabian writer's claim that production would be stimulated and cheapened by their unification under the State, and that, in addition to a direct advantage in the greater prosperity of trade, there would be the later advantage of accumulated profits available for the reduction of the Debt. We cannot, however, be sure of anything of the kind. Science has made such wonderful strides of late years that still more amazing developments would cause little surprise. It may be said that the complete supersession of the railways is a far-fetched and fantastic assumption, and that unless States, as well as individuals, are prepared to take the ordinary business risks involved in such a transaction, nothing in the way of nationalization could ever be done at all. But when the nation is asked to give the vast sum of a thousand millions or thereabouts for railway goodwill, buildings, equipment and stock, it cannot prudently afford to take even possible risks. If the purchase by the State is good policy, as things are,

there can be no objection to safeguarding it by providing that it shall be made on such terms as will ensure a surplus, after payment of interest, sufficient to accumulate, within thirty years at the outside, to the whole amount of the initial cost. Whether market price is to be the factor in determining value, or the provisions of the 1844 Act are to apply, is a relatively unimportant point. Considering the prevailing rates for money, the Fabian proposal seems to be slightly the less businesslike of the two.

The same principle of Stock Exchange values is recommended for the purchase of the Coal Mines, and this significant commentary is made: "To buy out on the basis of Stock Exchange values all private interests in coal from the royalty owner and colliery proprietor down to the little retailer and hawker, would cost no more, as a capital sum, than the consumers now pay for a single year's supply of coal." If this estimate can be substantiated, the financial character of the proposal becomes irresistible in its simplicity. Coal, being an indispensable factor in industrial production as well as for domestic use, is one of those commodities that ought to be produced, regulated, distributed and priced by an independent authority, and in the interests of the State as a whole. The control of the coal mines, like that of the railways, has been taken over by the Government for the duration of the War, and if out of this auspicious intervention some continuing State benefit does not afterwards result, there will be a feeling of disappointment throughout the country.

Into both these great questions of Government ownership there enter economic issues which are out-

side their financial scope, such as the enormous addition which such changes would make to the number of State employees, and the danger, real or imaginary, of their combined influence and electoral strength becoming an undesirably powerful lever in political matters affecting their own interest. "Collective bargaining," it is urged, might, if it were used on such a colossal scale, assume dimensions inimical to the welfare of the State. There is at least a chance that political parties might not be unwilling to bid for such formidable support by concessions not altogether in the interest of the tax-payer. This is a hypothetical objection, and perhaps the best answer to it is that the railways belong to the State, either wholly or in part, in almost every important country except our own and the United States, and that with a few exceptions there has been no serious clash of interests between Labour on the one hand and the State on the other. If the co-partnership plan could be adopted as a part of the proposed new arrangement there would be very small likelihood of these exceptions becoming more numerous.

XVI

THE prosperity of British Trade depends upon conditions other than those mentioned. So far, the subject has been treated chiefly from the point of view of an imminent after-War crisis, which, if it is to be averted, requires immediate and sweeping

changes. Questions of educational reform, the encouragement of scientific technology, commercial co-ordination, trading credit, and an organized industrial plan, cannot be debated and satisfactorily decided in a few months, and even if they could be, it would be years before their beneficent influence bore ripe fruit. Everyone knows, for instance, that our educational system is behind the times, but the practical advantages of the best and speediest measure of reform would not come into operation in this generation, and not fully even in the next.

Our system of elementary education is, indeed, far from perfect, and the Government Bill does not deal with the chief defects. It is a system which teaches some things that are of little or no use, and leaves untaught some things that would be of the greatest use. The weak point hitherto has been on the technical side. Nothing is more important in developing industrial efficiency than the early training of boys in craftsmanship. A work-room with benches, lathes, tools, etc., should be part of the equipment of every municipal boys' school. They are as essential for boys as sewing materials and cooking-pots and pans are for girls. If a boy is going to be an artisan, he cannot begin to qualify himself too soon. He may know the heights of all the mountains and the sources of all the rivers, but he will never be able to build bridges, or rivet boilers, or lay railway plates, or even drive a motor any the better for possessing such knowledge. Common sense and a handicraft will give a lad a far better start in life than a correct recollection of the names and dates of all the battles in the Wars of the Roses, or an acquaintance as laboured as Mr. Boffin's

with the "Decline and Fall of the Roman Empire." It is with their hands, guided by their trained intelligence, that the majority of men get their living. Knowledge is a very precious thing, but it is less precious in practice than the ability to do one's work efficiently. This is why technical education is so essential. An education on the Gradgrind principle does not fit anyone for business. Nothing is gained for the State or the individual by turning out

"A bookful blockhead, ignorantly read,
With loads of learned lumber in his head." OSMA NI/
COLLE

Technical education cannot be carried very far in the elementary stages, but it can be developed by a process of drafting boys into a sort of school-workshop. There is a good deal to be said for what are called Continuation Schools, such as have been established in Munich and other German towns for the special teaching of trades. Boys at the age of fourteen go straight from the elementary schools to be trained in the trades they have chosen. Practical and theoretical work are combined for eight or nine hours a week over a period of four years. Academic and normal school teachers co-operate with master-workmen, journeymen, artisans and agriculturists. Practical instruction in the workshop, laboratory, shop and garden is part of every trade scholar's education. The system is a modern modification of the old apprenticeship which served its day so admirably and turned out so many world-renowned craftsmen. Unfortunately, the concentration of important contracts in the hands of the big limited liability com-

panies, and the restrictive regulations of the Trade Unions, have between them nearly killed the apprenticeship system, and nothing has yet been devised to take its place. Practical trade instruction on the Munich lines has been advocated as the next best thing. At all events, it is a departure in the right direction. It equips a lad with the sort of manipulative skill, and knowledge of tools and methods, which will give him an excellent start in the particular branch of trade for which he has taken a liking. It does this, not in the evening when the lad is fatigued, and therefore uninterested or apathetic, but at convenient hours in the daytime. Furthermore, it is not voluntary, to be taken or let alone; it is compulsory. The boy is bound to choose and bound to learn. That he is kept in a state of pupilage, more or less, until he is eighteen years old is not such a very serious objection as might at first sight be supposed. He need not be spending the time unprofitably. The State could easily decree that attendance for a few hours a week at school should not be a disqualification for wage-earning employment, by directing employers to grant the necessary leave of absence.

The Board of Trade Sub-Committee on Trade after the War recognizes fairly enough that insufficient importance is attached in the United Kingdom to technical training, and that British manufacturers and workmen have not always shown themselves in the past alive to the value of scientific investigation of industrial problems. Some years ago, Dr. Helfferich was able to boast that Germany had achieved "the perfection of technical equipment and improved organization of labour"; we have yet to become

qualified to make such a boast. A number of our eminent scientific men lately issued a memorandum in which our lack of knowledge of physical science and its applications was held responsible for our shortcomings, not only in trade, but in the War.

The working classes are not the only classes for whom a more practical education is required. Secondary education is still conducted on the old unpractical lines. Thousands of young men upon whom will hereafter lie the responsibility of managing businesses, opening up commercial markets, or superintending public works—in fact, the whole army of superior employees—are sent out into the world with not much more intellectual equipment than a mediocre acquaintance with two dead languages. Classical education is by no means to be despised; in some spheres of activity it has its uses; but as a groundwork for a modern business man's training it is almost valueless. A knowledge of Spanish or Chinese will, in the coming trade war, be infinitely more valuable than a familiarity, however intimate, with the plays of Aristophanes, or an ability to translate "Wait till the boys come home" into Latin hexameters. Youths who are destined for commercial careers should be able to attend classes where the principles of banking, the theories of political economy, the outlines of commercial law, and the spoken use of modern languages are taught by people practically acquainted with their subjects. Youths who are destined for manufacturing businesses should have instruction in experimental science so far as it is applicable to industry. An education that neglects this sort of preparation is no education at all. It is time to cut ourselves adrift

from the old academic orthodoxies. A good business man is none the worse intellectually for a little classical education, but he is often a good deal the worse for the loss of time spent upon it—time which he might have devoted with greater advantage to subjects that would have been of immediate and direct importance both to him and to the State in the real business of life.

These modest suggestions do not, all told, amount to a proposed revolution of our educational system, although it is to be feared that the deep-rooted conservatism of the academic mind would, as usual, put difficulties in the way of their being carried out. In hardly any walk of life is there less disposition to move with the times than in educational circles. If it were left to the pedants and the pedagogues, we should never move at all. There are still plenty of bigoted upholders of existing practice who contend that it is perfect. On the other hand, there is a progressive school which contains critics in high positions who would make changes of a far more sweeping nature than are here proposed. When one reads *their* slashing attacks, one feels, like Clive, amazed at one's own moderation. Surely a strong Coalition Government should be better able than any strictly party Government to effect reforms in the directions indicated without provoking a political upheaval; but the fury of controversy often baffles good intent, and a good beginning is allowed to fizzle out in feeble compromise.

We are not now living in days when it is considered *infra dig.* to have anything to do with trade. Half the nobility are connected with it, or are personally, in one way or another, interested in it. It is no longer

the Cinderella of occupations, and it must not be put off with a Cinderella-like neglect. So long as an educated man had nothing to do but shoot game and sit on the magisterial bench and drink port, it was no doubt highly necessary that he should study Latin and Greek, if only to soften his manners ; but after the War you will find men of his class in the counting-house, in the produce-broker's office, in the ship-building yard, in the bank, and in the manager's chair, and it will be more necessary than ever that they should be familiar with the Continental languages of to-day, the theory of the exchanges, the metric system, and other practical matters. We shall be, in fact, putting our men of good birth and breeding to the real work of a nation—the building-up and spreading-out of its commerce ; and we must fit them for the job. The tragedies of Euripides may be an elevating discipline for the contemplative mind, but they will not book orders in South America or secure contracts in China. Time spent upon them may, indeed, lead to the far more poignant tragedies of commercial failure.

XVII

CLOSELY connected with the question of technical education are those of scientific research and the application of science to industry. Although intimately related, they do not mean the same thing. It will not do to confuse the work of the laboratory experimentalist and investigator with that of the manufacturer who employs scientific processes in his

business. Up to a point, no doubt, investigation for the discovery of better or cheaper processes runs on parallel lines with research work ; but research work may be carried on with a less definite object than industrial investigation, and is none the less valuable on that account. Regarded from a practical point of view, the responsibility for giving free play to both phases of activity is a divided one. Research in a general way is the business, more or less, of the great teaching bodies and the State. The particular application of science to trade is the business of the manufacturer.

They manage these things much better in Germany. Not only is the State more generous in its grants for scientific investigation, but it gives greater encouragement to the inventor. If after years of patient effort an Englishman discovers some labour-saving method, or some economical process that will cheapen production, it is but seldom that he gets either the recognition or the reward due to his self-sacrifice. Our manufacturers have been too prone to pooh-pooh fresh ideas. Many of them have shown a positive dread of experimenting in new directions. How many instances are there of men who have made revolutionary discoveries, and who have been the dreary round of manufacturer after manufacturer, to meet with nothing but cold discouragement ? In Germany, there is a much greater readiness to test new processes. Whatever his faults may be, the German manufacturer is not hide-bound in traditions. He is ever on the alert to steal a march on his rivals by availing himself of the resources of science. It is not that he, or his scientific coadjutors, are any cleverer than those of

other countries ; only that they are more enterprising and more thorough.

Here, the State does not do anything like as much as it might. It does something, but it does it grudgingly. The amount of money devoted to scientific research is, in spite of a recent increase in the vote, still miserably small. It would probably pay us, as a nation, even in war time, to appropriate at least half a million a year to this purpose. Most of the world's great discoveries are made in the laboratory, and the development of trade is largely a question of applying new discoveries. This will become more and more the case in the future. We are living in an age teeming with new inventions. Airships and aeroplanes, submersible ships, wireless telegraphy and motor-traction have all been made practically useful within this still young twentieth century. Progress, instead of being behind us, is in front of us. "The truth," as the *Daily Telegraph* has wisely said, "is that by the time this War ends we shall be confronted by a new world, one of almost infinite possibilities." In such circumstances it will be only by the most inconceivable submission to supine influences that we miss the opportunity of taking an active and leading part in a movement in which Science, as the hand-maid of Trade, will speed on winged feet to achievements paling all records of the most inventive past. Technical education, tariff reform, restriction of imports, and many other changes may be necessary ; but one of the great forces at our service is the realization in a practical form of this new after-the-War world of "infinite possibilities." Invention will stimulate export ; without invention and the application of

scientific methods to industry no nation can come successfully through the struggle that is ahead.

But Science must have fair play. It cannot be disputed that the encouragement of research in this country, on which so much depends, has in the past left a great deal to be desired. A striking typical instance has been supplied to the Press by F. W. Twort, of the Brown Institution, University of London, and it is worth quoting because the statement has not been challenged, and it illustrates the sort of obstacle that has to be swept out of the way: "A disease which is a serious condition in cattle, and is allied to tuberculosis, was investigated in this country and on the Continent; but all attempts to cultivate the causative bacillus failed until 1910, when, however, two workers in this country met with success, prepared a diagnostic vaccine, and published their discoveries. These were at first ridiculed by certain officials, and although applications were made, a grant from the Development Fund to defray expenses was refused. Later, the work was confirmed in several European countries and in America, but still a grant was refused. In the end, the Development Fund Commissioners gave a considerable sum of money to other workers to repeat the experiments, but they still refused to pay the expenses of the original investigators, with the result that their institution was left heavily in debt, and fresh investigations were made impossible. In fact, there was nothing but official opposition to the original workers, and this was even extended to one of the workers who contracted tuberculosis during the research, and completed the work on his death-bed."

XVIII

It may be repeated that until peace is actually signed, it is both premature and futile to attempt anything more than conjecture as to the economic position. All that can be prudently said is that we know the minimum of our liabilities, but not the maximum. Additional loans and fresh revenue to meet their service, which it would be blind foolishness to exclude from any survey of probabilities, may make our already heavy task a good deal heavier, for it would be like pursuing a will-o'-the-wisp to nourish sanguine hopes of indemnities from the exhausted Central Powers after they have met the claims for reconstruction of the countries they have ravaged and destroyed. If, by any pitiless chance, we should happen, after the War, upon an interval of unready trade with the consequent stress of unemployment, coupled with a world-wide food scarcity, the patience and self-reliance of the people would be subjected to an almost unbearable strain. But the more serious phases of such a calamity can be averted by timely, effective action now. A great deal has already been done in the way of preliminary inquiry by the appointment of Government and other Committees to stimulate commercial activity, and in the preceding pages methods have been alluded to by the aid of which the trade outlook would be still more favourable and reassuring. Trade is the great thing ;

it is, indeed, when we come down to bedrock, the only thing. Vast stores of our wealth have been consumed, our foreign accumulations have been dispersed, millions have been spent in unproductive labour and the waste of War, and it will need a supreme effort of resolution and class goodwill in every section of the community if we are to build up on the broken and blackened ruins a great and enduring edifice, and make the country echo with the throb of productive machinery and the hum of contented labour. Meanwhile an economic crisis undoubtedly threatens. It may take one of three forms, or it may be a combination of all of them—food scarcity, unemployment and heavy taxation. Although a vigorous expansion of foreign trade would certainly lessen the violence of the crisis and mitigate its evil effects, it would be oversanguine to expect an instantaneous or a complete cure. No increase in the volume of trade can prevent poor harvests, or make the wilderness blossom. The greatest and most urgent need of to-day is "more ships." The Admiralty have assumed the responsibility of building not only ships of war, but also merchantmen and liners. Have they the qualifications for successfully handling the problem? How will they overcome the difficulties of labour shortage and labour disputes so effectively that mercantile vessels can be turned out at double the present rate? Great Britain has the responsibility in a large degree of feeding France and Italy; yet Great Britain is as much dependent as they are on foreign supplies.

People must get rid of their contented optimism. They must discard the foolish belief that peace will be the stepping-stone to an immediate restoration of

normal conditions, if not to something better. They must make up their minds that a severe economy has to be the order of the day. There is an El Dorado of prosperity in the distance, but it can only be reached through the tangled and thorny path of suffering and self-denial. It will take Europe some years to recover from her vast and ruinous expenditure, and until recovery does take place, smaller consumption is imperative, and our imports of food must be restricted to necessities. Great Britain, although hardest hit, has been least damaged, and should recover soonest, but there is no justification for magnifying self-gratulation into over-confidence. *De luxe* and all that it stands for in the way of new expenditure ought to be banned for some years in every British home.

There is a big battle yet to be fought. When the guns have ceased to roar and the trenches are only a hideous memory, we shall have to fight for our position with other weapons than those which maim and destroy. If we are to meet the perils of peace, we must meet them with strong methods and decided principles. Germany's trade ambition was the real cause of the War, it is the object of the War, and it will outlast the War. It has never shown us the slightest consideration. It has undermined us in every direction, stolen our inventions, bluffed us into suicidal agreements, honeycombed the country with commercial intrigues, grasped our "key" industries, secured a furtive control in many English companies, and used our Free Trade policy as a fulcrum for its dumping schemes. Yet that, forsooth, is the country whose feelings we are invited to spare, and

whose renewed commercial rivalry we are counselled to encounter with smooth words and a benevolent indulgence. It won't do! We have to go into this new fight with the relentlessness of purpose which alone can insure us against commercial destruction. If we do not wrest trade from Germany, Germany will wrest trade from us. One of us has to be vanquished, and Englishmen have to put to themselves seriously the question: Which is it to be?

The above outline of a programme includes, no doubt, what are called by the stalwarts of post-Cobdenism "economic heresies." Well, political history is full of examples of the heterodoxy of to-day becoming the orthodoxy of to-morrow. The abandonment of a one-sided Free Trade will be the next; it has, in fact, already been overthrown in some influential quarters. When we find men like the late Lord Cromer, papers like the *Spectator*, and bodies like the Manchester Chamber of Commerce advocating a tariff for enemy goods, we may rest assured that Free Trade in its old open-house-to-everybody sense is as dead as the proverbial doornail.

Tariffs, of course, will not do everything. They will only act protectingly at home; we must fight the battle abroad with the other weapons—increasing production, greater efficiency and the conjoint enterprise of capital and labour. Efficiency means something far beyond mere craftsmanship. It means multiplication of machinery, standardization of parts, organization of labour, co-ordination of efforts—all with the definite object of selling goods and keeping active from year's end to year's end our factories and forges, our mines and mills, our looms and

potteries, our shipbuilding yards and blast furnaces. Efficiency, in a word, is a synonym for selling output.

Manufacturers, when they see what is asked of them, may naturally feel dubious about their ability to answer so many calls. To make a greater use of science in industry, to pay their workmen more wages or give them, alternatively, an interest in profits, to lay down plant for the capture of German monopolies, to employ a superior class of travellers and spend money on special catalogues for each country attacked, and to sell their goods on extended terms of credit, cannot be expected of them unless they are protected in return against foreign, and especially enemy, competition. Protection to some extent there must be; the only question is to what extent. Up to a point there is agreement, and the simple fact of there being such agreement sweeps away a lot of the old prejudice against Protection. It is curious that a word which has, in its true sense, such a benevolent meaning, should have come to signify a dreadful and disastrous policy, fatal to the country's best interests. Perhaps people will think differently now that it is becoming more and more clear that protection of our trade and industries, not for the benefit of the traders but for that of the nation as a whole and the working-classes in particular, is really equivalent to self-preservation. If anyone can show how unscrupulous German competition is to be defeated without hostile tariffs, let him come forward with his plan, and it will have a fair, and even an indulgent, hearing. If there is no such plan, then we have no choice in the matter, and when we once adopt the principle of hostile tariffs

against Germany, we are logically bound to follow it up with measures for dealing with import trade generally, especially in relation to our Colonies and Allies.

The outlook for the British manufacturer, although it is not devoid of favourable promise, is not altogether a rose-coloured picture. Difficulties of finance are likely to beset the commerce and industry of the nation at the close of the war. The period of transition from War conditions to those of peace will prove a critical time financially. As already pointed out, the re-conversion of factories will cost money at the most unproductive time, and just when the need is sorest most branches of the nation's trade will be faced with the necessity for greatly increased capital outlay in other directions. Raw materials will be dearer, wages rates will be higher, the values of stocks in hand and of stocks out on credit will be greater; it may even be that longer credit—especially in the overseas trade—will be necessary. Thus there are almost certain to be much larger demands than formerly upon the working capital of business firms. This subject is of such vital importance, and the gravity of the issues is so momentous, that a Committee of Financial Facilities after the War has been appointed by the Minister of Reconstruction to ascertain to what extent the banks and other institutions that now exist for financing the trade and commerce of the nation will be in a position to meet this increased demand; and, in the event of their not being in such a position, what alternative source of credit for essential commerce and industry can be made available. As the committee is composed of representatives of the

banking and commercial interests, its recommendations ought to be both helpful and practical.

This, together with self-protection in trade and the friendly relations of Capital and Labour, are the keystones of the arch. Unless we take these measures of national and imperial self-preservation, we shall be swept off the earth in a commercial sense. What we want is a policy that will not only benefit the consumer, but that will benefit everybody ; a policy that even if it injures the consumer in one way will more than make it up to him in another ; and a policy, above all, that will improve the position of Labour. If we make up our minds to take the plunge, and reconstruct our fiscal policy, there will be adequate encouragement for the manufacturer to go ahead, and for the working-classes to join hands with him in a vigorous, unrelenting campaign that will spell for the British Empire such a prosperity as it has never yet enjoyed. We want to get rid of factions and 'isms, to forget all about the rivalries of classes, to abolish party shibboleths, and to be National in our aims and our methods. We want to arrive at that time, which only a common danger ever seems to bring near to us, when

" None is for a party,
And all are for the State ; "

when the Free Trader and the Tariff Reformer will sink their differences and beat out a common line of action ; when the Trade Unionist and the Employer will amalgamate their forces to the advantage of both, and oiling the machinery of production will be no longer made nugatory by clogging with grit the wheels

of goodwill ; when Education, Railway management, Science, Financial power, and Government administration will all be subservient to a development of Trade that will make our people, our kinsmen, and our friends richer and happier.

THE END

Messrs. Hutchinson & Co.

are pleased to announce Novels for the Autumn of 1918 by the following
LEADING AUTHORS, particulars of which will be found in the ensuing
pages:

MARIE CORELLI
ARNOLD BENNETT
E. F. BENSON
CYNTHIA STOCKLEY
H. de VERE STACPOOLE
HAROLD BEGBIE
MRS. B. M. CROKER
BARONESS VON HUTTEN
SIR GILBERT PARKER
DOROTA FLATAU
E. TEMPLE THURSTON
BEATRICE HARRADEN
GABRIELLE VALLINGS
MAXWELL GRAY
M. P. WILLCOCKS
EDGAR JEPSON
PEGGY WEBLING
BURTON E. STEVENSON
HELEN PROTHERO LEWIS
DOUGLAS SLADEN
G. B. BURGIN
CECILIA HILL
AUTHOR OF "THE POINTING
MAN"
CURTIS YORKE
F. BANCROFT
MRS. CHASTEL de BOINVILLE

New Novels, Autumn 1918.

Where Your Treasure Is

By BEATRICE HARRADEN

A long novel by the favourite authoress of "Ships that Pass in the Night," which requires no recommendation. It is full of the charm and tenderness peculiar to Beatrice Harraden, and the background of the war to a touching love-story provides an atmosphere of pathos and deep feeling.

The Black Opal

By MAXWELL GRAY

Anyone who has read "The Silence of Dean Maitland," as well as all those who have not, will be delighted with this new story by Maxwell Gray.

In Our Street

By PEGGY WEBLING

Under this unassuming title the authoress hides a love-story in which the occult plays a prominent part, and which is original both as regards plot and treatment. A book that is bound to have a large sale, in view of the burning interest aroused by the war in the question of communication with the unseen world.

Fair Inez

By DOUGLAS SLADEN

An enchanting novel of Australian life forms the background to the central figure of the heroine, Inez Gordon. A story that will grip the reader and enchant all those who know and love Australia and the Australians. A book that will cement the feelings of close friendship the war has roused between the Commonwealth and the Mother Country.

L 2002

By EDGAR JEPSON

A story of love and mystery that is thrilling from beginning to end, and will be a godsend to those who desire to seek forgetfulness from reality in the exciting realities of fiction.

New Novels, Autumn 1918.

The Young Diana

By MARIE CORELLI

The long and engrossing story, told by Marie Corelli in her usual original way. Decidedly one of her most fascinating books. An immense First Edition has been printed.

David and Jonathan

By E. TEMPLE THURSTON

Undoubtedly one of Temple Thurston's strongest books. A problem novel on the theme: "Passing the love of women," which carries the reader in the company of two men and one woman into remote haunts and back to civilisation, where at last the question is definitely solved.

Up and Down

By E. F. BENSON

This is a book written in Mr. Benson's most reflective mood. Fact and fiction are skilfully interwoven around the central lives of two men and their friendship. From the romantic haunts of an Italian island, we see as in a kaleidoscope events of the great war. A touching story of friendship and patriotism.

The Man Who Lost Himself

By H. DE VERE STACPOOLE

A most delightful novel—on entirely new lines—by this well-known writer. Brim full of action, humour and pathos, and clever characterisation. A relief to the war-weary.

Yellow English

By DOROTA FLATAU

This is one of the most remarkable novels of the year—a first book on the topic of the moment: the hidden German hand in England. The importance and success of the book may be gauged by the fact that four large editions were called for within a fortnight of publication. A book that will stir every man and woman of British birth to the core, and do its share in British Empire-building.

New Novels, Autumn 1918.

Blue Aloes

By CYNTHIA STOCKLEY

By the well-known authoress of "Poppy" (22nd edition), "The Claw," etc., this book is one more eloquent proof of her intimate knowledge of South Africa. It carries in its pages the subtle charm and tragedy of the veldt.

Bridget

By B. M. CROKER

Mrs. Croker's studies of Irish life and character are no less brilliant than her Anglo-Indian stories. Possessing a genius for story-telling, she has a gift of humour seen at its best in the Irish novels, of which the present is one.

Tumult

By GABRIELLE VALLINGS

(Grand-daughter of Charles Kingsley) Authoress of "Bindweed."

As the title denotes, a novel full of excitement and action. The scene is laid in Paris, and the story tells of the experiences of an Australian girl and her lovers.

Joyce

By CURTIS YORKE

A charming novel in Curtis Yorke's best style—true to life, as all her men and women are. The hero and heroine find happiness after estrangement and disappointment.

Wings Triumphant

By CECILIA HILL

This is a most remarkable novel, original in every way. The plot is conceived, developed and brought to a conclusion in a highly ingenious fashion, and all the characters in the book live

The Man from Trinidad

By the Author of "The Pointing Man"

This is essentially a man's book, though written by a woman, showing an extraordinary power of depicting the life of seafaring men and their experiences and haunts in the East and at home.

New Novels, Autumn 1918.

The Roll Call

ARNOLD BENNETT

Author of "Clayhanger."

A new long novel, interwoven with love themes and vivid pictures of life in London and Paris. Mr. Bennett tells the romance of George Connor in his well-known masterly way.

Under Blue Skies

By H. de VERE STACPOOLE

"Under Blue Skies," like "In Blue Waters" and "The Blue Lagoon," is a big sunlit book, a tonic book, full of the freshness of the sea.

The Sleeping Partner

By M. P. WILLCOCKS

Both in scene and atmosphere, an entirely new departure of Miss Willcock's. A story with a most original plot, told in such a delightful manner that the readers' interest is held and kept in suspense until the very end—a psychological surprise.

The Silver Bridge

By HELEN PROTHERO LEWIS

A charming story written with a practised hand by the author of "Love and the Whirlwind," "Hooks of Steel," etc. A love story full of romance and "mystery."

An Armed Protest

By F. BANCROFT

A story that will appeal to all who realise the problems matrimony presents to every thoughtful, right-thinking man and woman. A woman's protest against the two-standard view, with an ending that is true to life.

New Novels, Autumn 1918.

An English Family

By HAROLD BEGBIE

"The Memoirs of Hugh Frothingham of Longworthy," a novel characteristic of all that is best in English fiction, as full of incident, reflection and romance as the history of "The Newcomes."

O'Reilly of the Glen

By Mrs. CHASTEL de BOINVILLE

A thrilling story of Ireland in the throes of sedition and rebellion. A thoroughly up-to-date novel, written with power and an intimate knowledge of Ireland. The moving story of a girl's struggle between love and patriotism.

Wild Youth By SIR GILBERT PARKER

A novel of prairie life, portraying characters and incidents of the Canadian West. This novel, together with "Jordan is a Hard Road," represents the author in his most fertile, spirited and original mood. There is humour, individuality and charm in every paragraph, and both stories are founded upon actual fact.

The Throw Back By G. B. BURGIN

This is a delightfully-told romance, of which the scene is laid in Turkey. The story centres around Lancelot Graves, whom disappointment in love causes to become a follower of the Prophet. A tale full of excitement and originality.

Recent Successful 6/- net Novels.

A King in Babylon

By BURTON E. STEVENSON
Author of "The Little Comrade."

Miss Pim's Camouflage By LADY STANLEY

The Lyndwood Affair By UNA L. SILBERRAD

The Bag of Saffron By BARONESS VON HUTTEN Author of 'Sharrow.'

IMPORTANT FORTHCOMING BOOKS

"The Brood of False Lorraine"

The History of the House of Guise

There rode the Brood of false Lorraine, the curses of our land."

—MACAULAY. "*Ivry*."

With numerous illustrations

By H. NOEL WILLIAMS

Author of

"Five Fair Sisters," "Unruly Daughters," "Rival Sultanas," etc., etc.

In two vols. demy 8vo, cloth gilt, 24s. net.

In this volume Mr. Noel Williams relates the early history of the famous House of Guise, the most interesting and eventful of any family not actually a royal one in Europe. The story of the Guises, brave, talented, open-hearted and magnificent, but insatiably ambitious, unscrupulous, cruel, vindictive, and licentious, is one long tissue of conspiracies, assassinations, duels, love intrigues, escapes from prison, and romantic adventures of all kinds, and written as it is with that lightness of touch and accuracy of detail which have secured the author so many readers, cannot fail to make a wide appeal.

Eighty-Six Years' Memories

By HENRIETTA WARD

16s. net

Profusely illustrated with original drawings, by Morland, Cruickshank, James Ward, R.A., etc., etc. A book of extraordinary interest covering practically the whole of the 19th century. The authoress forms the connecting link between four generations of famous painters. A grand niece of James Ward, R.A., married to George Refael Ward, mother of Sir Leslie Ward, "Spy" of *Vanity Fair*, she knew intimately Queen Victoria, Napoleon III., the Duke of Wellington, Duke of Cambridge, Beaconsfield, Macauley, Thackeray, Lord Lytton, Sir Thomas Moore, Dickens, Arthur Sullivan, Landseer, Lord Leighton, etc., etc., and the book is full of amusing recollections, anecdotes and letters from famous men and women.

IMPORTANT FORTHCOMING BOOKS

The Reminiscences of Ambassador Morgenthau

By HENRY MORGENTHAU

*In one handsome volume, with numerous illustrations,
16s. net.*

An epoch-making book, with many illustrations, outstripping in interest and startling revelations Ambassador Gerard's famous "My Four Years in Germany." Ambassador Morgenthau had the unique experience of being American Ambassador in Constantinople during the fateful years 1913-16. The book is brimful of accounts of great events and great personalities—of intimate details in the diplomatic and political world, known only to the few. A book no Library can afford to be without.

The Life of Sir Herbert Tree

By MAX BEERBOHM

*In one handsome volume, with illustrations,
7s. 6d. net*

The authorised biography. A beautiful book, written and illustrated with original drawings by his brother, Max Beerbohm, and with a number of interesting photographs, and accounts of many well-known people. With contributions by Lady Tree, Viola Tree, G. Bernard Shaw, and many other celebrities. A book that will interest the reading public all over the world, as well as all members of the theatrical profession.

IMPORTANT FORTHCOMING BOOKS

Memories of an Etonian

By **GEORGE GREVILLE**

Author of

"Society Recollections in Paris and Vienna," and "More
Society Recollections."

In demy 8vo, cloth gilt, 10s. 6d. net

With numerous illustrations

In this fascinating book the author has chiefly related his recollections of Eton fifty years ago—the Eton of Dr Hornby, and has added yet another volume to the chronicle of the great school.

It is not easy to describe the varied contents of this book ; it suffices, however, to say that it contains much besides these early reminiscences. Mr. Greville supplies the reader, from his apparently inexhaustible memories, with abundant anecdotes and society sketches during the latter half of Queen Victoria's reign.

Private Peat

By **HAROLD R. PEAT**

In crown 8vo, 6s. net

A book that has caused a stir in America as the "best seller." A Canadian's thrilling experiences in the great War. We follow him from his home across the water to the battlefields in France, and back home again, and incidentally learn the touching story of his love and union with "Mrs. Peat."

The Escape of a "Princess Pat"

By **GEORGE EUSTACE PEARSON**

In crown 8vo, 6s. net

A book that tells the truth, and nothing but the truth, in a manner more thrilling than fiction could do. Even the most unemotional among us will be stirred to the depths by these experiences and the escape of a "Princess Pat" from the horrors of a Hun Prison Camp.

IMPORTANT FORTHCOMING BOOKS

God and Tommy Atkins

By DR. ALEXANDER IRVINE

Author of "My Lady of the Chimney Corner," etc.

3s. 6d. net

These reflections on the nature and religious needs of Tommy Atkins by an American citizen soldier might be entitled "Blood is Thicker than Water." They show an intimate understanding and fine appreciation for Tommy Atkins: "the incarnation of England that was, and is, and is to be."

In the Morning of Time

By CHARLES G. D. ROBERTS

Author of "Red Fox," etc.

With eight fine illustrations. In crown 8vo, cloth, 6s. net.

The stories of this author dealing with the adventures of animals, of which "The Red Fox" is, perhaps, the best known, have for a long time enjoyed great popularity. In the present work, Mr. Roberts gives us a story of a man in primæval times, and he introduces descriptions of the strange scenery and monstrous fauna of the time. This story bids fair to be one of the most successful of Mr. Roberts' works of fiction. The interest of the volume is enhanced by the addition of the striking illustrations, which excite the imagination.

40th Year of Issue.

The Year's Art. 1919

Compiled by A. G. R. CARTER

A concise epitome of all matters relating to the Arts of Painting, Sculpture, Engraving, and Architecture, and to Schools of Design which have occurred during the year 1918, together with information respecting the events of 1919.

Crown 8vo, cloth, 7/6 net.

Over 600 pages, with illustrations.

IMPORTANT FORTHCOMING BOOKS

Westminster Cathedral and its Architect

By W. DE L'HOPITAL

With numerous illustrations from Mr. Bentley's drawings, including coloured plates, plans and reproductions from photographs.

In two volumes, Crown 4-to, cloth gilt and gilt top,

42s. net.

The History of Westminster Cathedral, and of its architect, the late John Francis Bentley, will undoubtedly form one of the principal publishing features of the autumn season. Westminster Cathedral has been acknowledged to be among the most important buildings of modern times, and as the chief Cathedral of the Roman Catholic Church in the British Empire it has a further importance of the first mark. Bentley's own life, and the story how the great Byzantine Cathedral grew into being, from Cardinal Manning's first proposals, and how it fell to his successor, Cardinal Vaughan, to initiate and carry out the work, has been told by the architect's daughter, Mrs. de l'Hopital, who has made full use of her father's papers. An important feature of the book is the illustrations, which comprise some full-page plates in colour from Mr. Bentley's water-colour drawings, numerous illustrations in line and from photographs, besides many plans.

Recent Successful Books

My American Visit

By The Right Hon. SIR FREDERICK SMITH,
Bart., K.C., M.P.

In 8vo, cloth, 6s. net

In this book Sir Frederick Smith, His Majesty's Attorney-General, describes his recent visit to the United States and Canada, where he delivered a large number of lectures, and addressed some 140,000 people. He met all the leading people ; and has given his impression, not only of individuals but of the masses, whose enthusiasm was unbounded. His welcome and reception by the President, and in Official, Political, Military, Naval and Social circles has helped him to write what constitutes the most intimate and up-to-date account of America and Canada in the war.

Japanese Memories

By ETHEL HOWARD

In demy 8vo, cloth gilt, 12s. 6d. net. With numerous illustrations

Miss Howard, who was entrusted with the supervision of Prince Shimadzu and his four little brothers, writes with sympathy and unbounded enthusiasm of the country and its people ; and tells us many strange matters which are hidden from the average inquirer

The Coming Economic Crisis

By H. J. JENNINGS

In crown 8vo, cloth, 5s. net.

A timely volume, describing the present economic situation. Without being unduly pessimistic, the author stresses the point that a very critical time is ahead of us, requiring immediate and thorough preparation for defence. It is a book that should be widely circulated and read by all.

HUTCHINSON'S 1/9 NET NOVELS

New Volumes and New Editions for 1918

Each volume bound, and with a most attractive pictorial wrapper

THE NECROMANCERS	Robert Hugh Benson
LORD OF THE WORLD	Robert Hugh Benson
THE KING'S ACHIEVEMENT	Robert Hugh Benson
BY WHAT AUTHORITY?	Robert Hugh Benson
THE QUEEN'S TRAGEDY	Robert Hugh Benson
THE MIRROR OF SHALOTT	Robert Hugh Benson
RICHARD RAYNAL, SOLITARY	Robert Hugh Benson
THE LIGHT INVISIBLE	Robert Hugh Benson
THE SENTIMENTALISTS	Robert Hugh Benson
AN AVERAGE MAN	Robert Hugh Benson
A WINNOWING	Robert Hugh Benson
THE CONVENTIONALISTS	Robert Hugh Benson
THE DAWN OF ALL	Robert Hugh Benson
ODDSFISH!	Robert Hugh Benson
NONE OTHER GODS	Robert Hugh Benson
LONELINESS	Robert Hugh Benson
INITIATION	Robert Hugh Benson
COME RACK! COME ROPE!	Robert Hugh Benson
THE COWARD	Robert Hugh Benson
THE LORDSHIP OF LOVE	Baroness von Hutten
THE GREEN PATCH	Baroness von Hutten
MARIA	Baroness von Hutten
MAGPIE	Baroness von Hutten
SHARROW	Baroness von Hutten
THE DESERT DREAMERS	Kathlyn Rhodes
THE WILL OF ALLAH	Kathlyn Rhodes
SWEET LIFE	Kathlyn Rhodes
AFTERWARDS	Kathlyn Rhodes

HUTCHINSON'S 1/9 Net NOVELS—*con.*

FLOWER OF GRASS	Kathlyn Rhodes
THE WAX IMAGE	Kathlyn Rhodes
THE MAKING OF A SOUL	Kathlyn Rhodes
SANDS OF GOLD	Kathlyn Rhodes
THE STRAIGHT RACE	Kathlyn Rhodes
THE LURE OF THE DESERT	Kathlyn Rhodes
MARGUERITE'S WONDERFUL YEAR	Mabel Barnes-Grundy
TWO IN A TENT--AND JANE	Mabel Barnes-Grundy
HILARY ON HER OWN	Mabel Barnes-Grundy
PATRICIA PLAYS A PART	Mabel Barnes-Grundy
CANDYTUFT--I MEAN YERONICA	Mabel Barnes-Grundy
THE THIRD MISS WENDERBY	Mabel Barnes-Grundy
AN UNDRESSED HEROINE	Mabel Barnes-Grundy
THE YACILLATIONS OF HAZEL	Mabel Barnes-Grundy
CORPORAL JACQUES OF THE FOREIGN LEGION	H. de Vere Stacpoole
THE REEF OF STARS	H. de Vere Stacpoole
IN BLUE WATERS	H. de Vere Stacpoole
THE PEARL FISHERS	H. de Vere Stacpoole
THE BLUE HORIZON	H. de Vere Stacpoole
THE CHILDREN OF THE SEA	H. de Vere Stacpoole
CONFESSIONS OF A LADIES' MAN	William Le Queux
THE UNDER SECRETARY	William Le Queux
THE GAMBLERS	William Le Queux
A WELSH SINGER	Allen Raine
TORN SAILS	Allen Raine
BY BERWEN BANKS	Allen Raine
MEADOWSWEET	Baroness Orczy
THE LEGION OF HONOUR	Baroness Orczy
THE ELUSIVE PIMPERNEL	Baroness Orczy
A BRIDE OF THE PLAINS	Baroness Orczy

HUTCHINSON'S 1/9 Net NOVELS—*con.*

PETTICOAT GOVERNMENT	Baroness Orczy
A TRUE WOMAN	Baroness Orczy
THE LAD WITH WINGS	Berta Ruck
THE COURTSHIP OF ROSAMOND FAYRE	Berta Ruck
HIS OFFICIAL FIANCÉE	Berta Ruck
MISS MILLION'S MAID	Berta Ruck
THE GIRLS AT HIS BILLET	Berta Ruck
MEAVE	Dorothea Conyers
THE STRAYINGS OF SANDY	Dorothea Conyers
THE EXPERIMENT OF GANYMEDE	
BUNN	Dorothea Conyers
TWO IMPOSTORS AND TINKER	Dorothea Conyers
THE DEVIL'S GARDEN	W. B. Maxwell
IN COTTON WOOL	W. B. Maxwell
MRS. THOMPSON	W. B. Maxwell
THE RAGGED MESSENGER	W. B. Maxwell
IN OLD MADRAS	Mrs. B. M. Croker
THE SERPENT'S TOOTH	Mrs. B. M. Croker
GIVEN IN MARRIAGE	Mrs. B. M. Croker
HEARTS AND SWEETHEARTS	Madame Albanesi
THE SUNLIT HILLS	Madame Albanesi
POPPIES IN THE CORN	Madame Albanesi
TWILIGHT	Frank Danby
THE MYSTERIES OF MARSEILLES	Emile Zola
A LADIES' PARADISE	Emile Zola
THALASSA	Mrs. Baillie Reynolds
THE MAN WHO WON	Mrs. Baillie Reynolds
ANTHONY WILDING	Rafael Sabatini
LOVE AT ARMS	Rafael Sabatini
THE WEB OF THE SPIDER	H. B. Marriott-Watson
WE OF THE NEVER-NEVER	Mrs. Æneas Gunn
THE ONE WHO LOOKED ON	F. F. Montrésor

HUTCHINSON'S 1/9 Net Novels—*con.*

THE PRINCESS OF NEW YORK	Cosmo Hamilton
THE GREAT WHITE HAND	J. E. Muddock
MADEMOISELLE CELESTE	A. F. Knight
THE WIFE'S TRIALS	Emma Jane Worboise
PERSUASIVE PEGGY	Maravene Thompson
'GOOD OLD ANNA'	Mrs. Belloc Lowndes
LITTLE COMRADE	E. Burton Stevenson
THE MONEY MASTER	Sir Gilbert Parker
BLUE JAY	Peggy Webling
BY ORDER OF THE CZAR	Joseph Hatton
THE MIXED DIVISION	R. W. Campbell
A QUAKER WOOING	Fred Reynolds
MY LADY FRIVOL	Rosa N. Carey
OUR ADVERSARY	M. E. Braddon
FROM CLUE TO CAPTURE	Dick Donovan
THE COMBINED MAZE	May Sinclair
HALF A TRUTH	"Rita"
CHIFFON'S MARRIAGE	"Gyp"

Also by the Author of "Missing the Tide." 65th Thousand.

THE GRANDEST THING IN THE WORLD. 1/6 net.

Extensively advertised by "*The Evening News*," as was the case with "*Missing the Tide*."

Also at 1/3 net,

THE STRANGLEHOLD Coralie Stanton and Heath Hosken

Extensively advertised by "*The Evening News*," as in the case of "*Missing the Tide*."

MISSING THE TIDE

"One who knew her"

(Pages from the Life of Margaret Carson)

Also in cloth, with pictorial wrapper, 1/- net

YE GODS!

Eric Hudson and H. Grahame Richards

